



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

**AN ASSESSEMENT OF PERFORMANCE MANAGEMENT SYSTEM OF  
COMMERCIAL BANK OF ETHIOPIA EAST ADDIS ABABA DISTRICT**

**BY**

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**ID No. SGS/0217/2007B**

**JUNE, 2018**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES IN  
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SelamTadesse

## **LIST OF ACRONYMS**

PM: Performance Management

PMS: Performance Management System

HRM: Human Resource Management

BSC: Balanced Scorecard

CBE: Commercial Bank of Ethiopia

EAAD: East Addis Ababa District



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## Abstract

*The purpose of this study is to assess and describe the performance management practice on employee performance in Commercial Bank of Ethiopia East Addis Ababa District (CBE EAAD). The study tries to address the basic questions of alignment of organizational goal with that of the branch and individual goal, how the planning, execution, assessment and review process was handled and to what extent the performance of the staff comply. The result of the study by arriving at different indicators will enable to measure the desired alignment. To answer these questions a survey has been undertaken by using quantitative research approach. The total number of staff at CBE EAAD branches was 1500 and for this study simple random sampling technique was used by taking 150 employees to fill in the self-developed questionnaire. An interview was also conducted to 13 managers of EAAD branches to use as one of data collection instruments. The data gathered from the questionnaire were compiled by using SPSS software. Descriptive statistics method was used for analysing data obtained from questionnaire and data gathered from interview document analysis were analysed contextually. The result of the analysis was presented using tables and graphs. In general the finding of the study revealed that organizational goals were aligned with departmental and individual goals but as to the participation of employees in the planning stage of performance, management did not involve the staff; lack of regular feedback, lack of uniformity in gathering information about employees' performance and lack of data tracking system for employees' performance, these are the major problems noted in the study. Having this in mind the researcher concluded that even though CBE EAAD has some good qualities in clearly defining the mission, vision and values and developing strategy map but a lot has to be done in making performance management system to be more useful for the organization. In order to fill the identified gap, recommendations were forwarded to improve the level of employees' participation in the PMS process, to enhance the awareness of employees about the purpose of PMS, goals should be set in mutual agreement, letting employees to assess their own performance using self-appraisal method, gather information about the performance of an employee from different sources. Finally, it is hoped that CBE—EAAD would be able to strengthen the performance management practice of its employees by making use of the recommendations of this study.*

**Keywords;** *performance system, evaluation, appraisal, planning, strategy, target, bank.*

# CHAPTER ONE

## INTRODUCTION

### 1.1. BACKGROUND OF THE STUDY.

Performance Management as one of the aspects of HRM 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. 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). On the other view, Millar (2007) built a framework of talent management which consists of planning, recruiting, performance, learning, career development, succession planning, compensation, and measuring and reporting. In order to organize a company effectively, companies must rethink how they hire, train and reward their employees; therefore the employees could be encouraged to be competitive. Undoubtedly, there is an important factor is human in organizations. One of the main management strategies of the organizations is to invest in employees. Organizations are seeking to develop, motivate and increase the performance of their employees in a variety of human resources applications (Gungor, 2011). Thus, performance management should be an important step in the organization's HRM system and influences employee performance and then to organizational performance.

The study is focused on assessing the practice of performance management system. According to Chan and Lynn (1991), the organizational performance criteria should include profitability, productivity, marketing effectiveness, customer satisfaction, but also employee morale. In this perspective, employee performance is tightly related to organizational performance, effective and efficient employee performance will positively influence organizational performance. Organizations are seeking to develop, motivate and increase the performance of their employees in a variety of human resources applications.

The reason I undertake this research study is that nowadays there are many organizations that are relying on employees for success and competitiveness. According to the resource-based view, employees are the resources and assets of an organization. Consequently, organizations need to figure out strategies for identifying, encouraging, measuring, evaluating, improving and rewarding employees' performance at work. In regard to this respect, performance management and appraisal systems have come to play an indispensable role in helping organizations to reach their goals of productivity (Stevens and Joyce, 2000).

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 practice 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 (Redman and Wilkinson, 2009).

## **1.2 BACKGROUNDS OF THE ORGANIZATION**

The history of Commercial Bank of Ethiopia (CBE) dates back to the establishment of the state bank of Ethiopia in 1942 and in 1963 CBE was established as a share company. In 1974 CBE merged with privately owned Addis Ababa bank. Since then it has been playing a significant role in the development of the country.

CBE is a pioneer to introduce modern banking to the country by opening more than 1300 branches and 15 million account holders. The bank has an asset of 485.7 billion birr as on June 30, 2017 and plays a catalytic role in the economic progress and development of the country. CBE has a strong correspondent relationship with more than renowned foreign banks and swift bilateral arrangement across the world. The bank combines a wide capital base with more than 33,000 talented and committed employees and also the bank is the first bank in Ethiopia in introducing ATM service for local users.

CBE states its vision to become world class commercial bank by the year 2025 and with the mission realize stakeholders' needs through enhancing financial intermediation globally and supporting national development priorities ,through deploying highly motivated ,skilled and disciplined employees and using advanced technology CBE to become world class commercial bank by the year 2025 strategy formulated and implement by aligning the vision with the strategy to enhance the performance of the bank as a whole due to this it is necessary to the assess practice of the PMS.

## **1.3. STATEMENT OF THE PROBLEM**

Performance management is important for an organization, as it helps organizations ensure employees are working hard to contribute in achieving the organization's mission and objectives. Performance management sets expectations for employee performance and motivates employees to work hard in ways that are expected by the organization. Moreover, performance management system provides a completed and professional management process for organizations to assess the performance results of organizations and employees. Employee performance could be expected,

assessed and encouraged. Importance of performance management system is on continuously improving organizational performance, and this is achieved by improved individual employee performance (Dessler, 2008).

In the current competitive market environment among local organizations and the need for national and international competitiveness calls for improved performance of each individual and teams to achieve organizational goals. Without having a high performing employees and units it is difficult for organizations to compete with national and international markets. To ensure market competitiveness practicing scientific performance management system is highly desired to develop the capacity of the employees and inspire them to put maximum effort in the realization of organizational goals.

According to Hustled (1995), employees within firms contribute for organizational performance management system practices can affect individual employee performance through their influence over employees' skills and motivation, and through organizational structures that allow employees to improve how their jobs are performed.

Based on document review and discussion with employees the organization has problems in execution of performance management system. The practice of the PMS to some extent differs from the concept of PMS. Followings are some gaps and complaints frequently heard regarding the performance management system of the targeted district.

- There is a problem in target formulation for employees and employees were not included in the target formulation. There is no agreement between the management and the employee. Some of the employees do not have knowledge about PMS and what is expected from them. They do not carry out their work according to the PMS agreement.
- The targets set by the management are not in agreement with the employee; simply the management sets the targets quarterly and evaluates the performance without the participation of employees. In target formulation and evaluation of the performance the employee signs the plan and appraisal without his/her consent. All things are done by the will of the management as many employees say.
- Employees complain that the performance target set for them is not reasonable in the first place, and their performance results are not measured objectively.
- PMS of CBE is not linked with financial and non-financial rewards. The organization simply rewards annual bonus.
- The knowledge gap observed on employees of the organization about the PMS. Some of the employees do not know what PMS is.

- Some CBE employees do not have target plan set for their performance.

Due to these observed problems it is important to conduct an in-depth study and assess the practice of PMS for the successful strategy execution and success of the organization.

#### **1.4. RESEARCH QUESTIONS**

The following are basic questions for this research on performance management system practice as well as its influence on competency and productivity.

1. Are individual goals and performance objectives aligned with strategic objectives of CBE--EAAD?
2. To what extent is PMS understood and internalized by employees?
3. Are processes, methods and effects of Performance Management System clearly known by the workforce?
4. How are the planning, execution, monitoring, evaluation and rewarding phases in particular Performance Management System carried out at CBE--EAAD?
5. What is the response of management and employees on the transparency and fairness of performance review process at CBE EAAD?

#### **1.5. OBJECTIVES OF THE STUDY**

The objectives of the research on performance management system (PMS) practice are classified as general and specific objectives.

##### **1.5.1 GENERAL OBJECTIVES OF THE STUDY**

The general objective of the study is to assess the overall function of CBE in particular the practice of the Performance Management System (PMS) in the case of Commercial Bank of Ethiopia East Addis Ababa District (CBE--EAAD) branches.

##### **1.5.2 SPECIFIC OBJECTIVES OF THE STUDY.**

The research study specifically focuses on the following objectives

- Investigate the practice of planning execution, monitoring, evaluation and rewarding phases in particular that of Performance Management System.
- Explore whether the performance management review system is taking place properly or not.

- Assess the alignment of individual goal and performance objectives with the CBE strategic objectives
- Assesses the perception of the employees of CBE--EAAD regarding PMS.
- Assesses the purpose of performance management system in CBE--EAAD.

### **1.6 SIGNIFICANCE OF THE STUDY.**

The study is important for the organization as performance management system (PMS) is vital for organizational standing .Employee performance is linked with the organizational goals and strategy implementation.

The study on performance management system practice is important for the organization success and to make a decision about the performance of the organization and to undertake corrective measures. Performance management system practices can affect individual employee performance through skills, motivation, and organizational structures that allow employees to improve how their jobs are performed so that the study provide vital information regarding PMS practice.

The study also contributes for the researcher in acquiring knowledge and wider understanding about PMS and other perspectives. The study is not restricted with the benefits of the researcher only; it will benefit other researcher in providing information and data for who will study further research on performance management system (PMS).

The significance of the study on PMS is not questionable .It benefits the society in adding awareness about PMS and in how proper implementation of PMS carried out and also based on the study result if the organization takes a corrective measure the service delivery of the organization will become more improved and society benefit from the study . Nowadays the performance of an organization derived from the performance of the employees is vital. So as to me a proper implementation of performance management system practice has greater effect on the employees' performance.

### **1.7. SCOPE OF THE STUDY.**

The research study was conducted on Commercial Bank of Ethiopia East Addis Ababa District selected branches based on their service scope and number of employees and tenure. The study was made on the established performance system of CBE in which quarterly employee appraisal is undertaken. Employees in various units with diversified professional backgrounds like management, accounting, auditing etc. were involved. The Performance Management System is uniform in all CBE Districts but this study is District specific, i.e. East Addis Ababa District (EAAD). The number of respondents was delimited to 150 because due to time and resource



constraints it was difficult to the researcher to include all employees. The random and purposive sampling methodologies are also used to avoid the same constraints.

## **1.8 DEFINITION OF TERMS**

**Performance Management** is a process that brings together many people management practices including learning and development. It is a process which contributes to the effective management of individuals and teams in order to achieve improved levels of individual and organizational performance and development. Performance management is about establishing a culture where individuals and teams take responsibility for continuous improvement of service delivery and of their own skills, behaviour and contributions. It is therefore a strategic process, long term in nature, aimed at the development of an appropriate culture linking people management, service issues and long term goals. It is not a once off quick fix process (Bonnet .W and Wooer, 2006).

**Performance Management System:** In different literature, there are various models of performance management system. Each model has its importance as a system for managing organizational performance, managing employee performance, and for integrating the management of organizational and employee performance. Performance management involves multiple levels of analysis, and is clearly linked to the topics studied in strategic HRM as well as performance appraisal. Different terms refer to performance management initiatives in organizations, for example, performance-based budgeting, pay-for-performance, planning, programming and budgeting, and management by objectives (Heinrich, 2006)

**Balanced Scorecard:** The Balanced Scorecard is a performance management tool that enables a company to translate its vision and strategy into a tangible set of performance measures (Kaplan and Norton, 96).

**Financial Measurement:** Is a measurement tool that measures the performance of the organization based on the variables like cost of production, cash flow, sales growth, market share and so on.

**Non-Financial Measurement:** It measures the performance of the company based on customer satisfaction; time taken to meet customer needs, the company's ability to improve employee's skill and company's capacity of giving priority for various internal businesses process at which company must excel.

**Performance Measurement:** is a process of assessing progress towards achieving pre-determined goals and objectives (Esther et al, 2013).

## **1.9 ORGANIZATION OF THE STUDY REPORT**

The report of this study is organized and presented in to five chapters. Chapter one deals with background of the study, background of the organization, statement of the problem, basic research questions, objectives of the study, significance of the study, scope of the study and definition of terms. Chapter two dealt with review of related literature. Chapter three describes the type and design of the research methods, participant of the study, and source of data, data collection instruments and method of the data analysis. Chapter four summarizes the results/findings of the study discusses interpretation of the study. Chapter five presents the summary of findings, conclusions, and recommendations given.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITRATURE**

#### **2.1 THEORETICAL LITERATURE REVIEW**

##### **2.1.1 THE CONCEPT OF PERFORMANCE MANAGEMENT**

Performance management is important because it plays pivotal role in any organizations human resource frame work. There are clear benefits from managing individual and team performance to achieve organizational objectives. Similarly compensation in the form of pay, bonus, stock options and other benefits can be linked to the achievements of particular goals. But such links do not necessarily produce extended results. This is the problematic and complex area in which common-sense solution do not work. Well-designed performance management process stimulates managers to develop high quality strategic plans, set ambitious targets and track performance closely all activities which help to achieve strategic objectives and consequently sustained value creation. (Mudaye Neway Commercial Bank of Ethiopia monthly published magazine by Ali Woldiekahsu v1-5 no-1 Oct, 2014)

Performance Management is defined by Armstrong (2009:1) as a "systematic process' to improve the performance of a company by developing the individual's and team's performance. For these outcomes to be reached Performance Management should be understood and applied utilising an 'agreed framework of planned goals, standards and competency requirements'. According to Armstrong, today's Performance Management is implemented into organisations through the progression of 'management by objective and performance appraisal that were developed some time ago" (Armstrong, 2009: 2).

The overall technique of Performance Management is employed by line managers on a daily basis rather than as a yearly human resource exercise, hence becoming a 'natural process of management'. Armstrong's overall sense of Performance Management is that it should be an on-going process in organisations having a systematic set of agreed targets and goals that will advance the organisation.

Similarly to Armstrong, Redman and Wilkinson (2009:179) depict that Performance Management is used as a tool to connect the objectives of the organisation to a set of work targets for employees with 'objective setting and formal appraisal' at the core of this process. Performance Management give teams and individuals the responsibility to take liability for their own 'continuous

improvement of business processes and of their own skills, behaviour and contributions'. Managers can then converse their viewpoint for the teams and individuals and in return they communicate how they consider them to be managed. Performance Management should provide a culture within the organisation where exceeded performance is gained from the teams and individuals that have accountability for their own goals and the progression of the organisation under efficient management Focus should be targeted on giving the individuals and teams accurate tasks to be implemented through realistic goals (Armstrong, 2006).

It is highly apparent that a common thread can be visualised throughout the various definitions of Performance Management in relation to it being carried out through the setting of goals and targets for the teams and individuals to meet the overall objectives of the organisation Although the common performance appraisal systems are still apparent in organisations there has been a move to a more integrated management system to comprise all requirements needed to manage the performance of teams and individuals on an on-going basis.

Harvey and Bowin (1996) have referred to performance management as the total system of gathering information, cascaded down to the employees in order to gain the feedback for the benefit and improvement of the organisation.

Dessler (2008, p.289) has defined performance management as 'the process that unites goal setting, performance appraisal and development into a single common system' whose aim was to ensure that the strategic aim of the firm be fully supported by the employees' performance.

The traditional management control systems have been obsolete because of the inability to provide the relevant information for decision-making. Hence, a new performance management system which could be relevant, timely and able to produce the necessary information has been found to be critical in this information era .There are two major roles for the PM as follows:

Firstly, Performance Management (PM) must ensure that the employees usually follow the policies and procedures at all time in order to protect the interests of the organisation all the time and secondly, the new PM must have the ability to motivate the employees to act in accordance with the organisational goal.

Performance management has constituted a process of linking corporate strategies and objectives with the desired performance required by an organisation. Furthermore, efficiency would measure the utilization of resources by the organization while effectiveness measures the customer's requirement and needs which needed to be fulfilled by the organisation.

Comprehensively, Bacal (1999) defines performance management as an on-going communication process, undertaken in partnership, between an employee and his or her immediate supervisor that involves establishing clear expectations and understanding about the essential job functions of employee are expected to do; how the employee's job contributes to the goals of the organization; what doing the work well means in concrete terms; how employee and supervisor will work together to sustain, improve, or build on existing employee performance.

De Walle (2008).PMS definition as the financial and non-financial information to the management that has led to the managerial action and decision making. PMS has been defined as ‘an integrated set of planning and review procedures which cascade down through the organisation to provide a link between each individual and the overall strategy of the organisation. Performance management system is a kind of completed and integrated cycle for performance management.

Similarly from the suggestion of Lawler (2003), the objectives often include motivating performance, helping individuals develop their skills, building a performance culture, determining who should be promoted, eliminating individuals who are poor performers, and helping implement business strategies. The main purpose of the performance management system is to ensure that:

- 1-.The work performed by employees accomplishes the work of the company.
2. Employees have a clear understanding of the quality and quantity of work expected from them.
3. Employees receive ongoing information about how effectively they are performing relative to expectations.
4. Awards and salary increases based on employee performance are distributed accordingly.
5. Opportunities for employee development are identified.
6. Employee performance that does not meet expectations is addressed.

Developing a performance management system is essential for an organization. Developing a performance management system is classified into a development, planning, managing, reviewing and rewarding phase.

### **2.1.2 CHALLENGES OF PERFORMANCE MANAGEMENT SYSTEMS**

**First**, in the case of public sector, the challenges on the management style of entrepreneurship, market orientation, learning orientation and organisational flexibility have existed .In the

organisational flexibility especially leadership commitment would be one of the critical major issues in order to implement the BSC in the organisation.

**Second,** the top management commitment or leadership has been one of the challenges that have been found to be critical for successful implementation of performance metrics. Top management involvement would help to promote the restructuring of the business organisation and to expedite the management of change that would also occur in the organisation.

**Third,** another element of challenges in performance metrics implementation has been training and awareness, because not all employees accept the changes that have occurred in their workplace. Thus, communication between managers and subordinates must be good in order to enable the organisation to materialize the desired mission. Hence, training and awareness have been found to play a vital role in ensuring the success in the PMS implementation.

**Fourth,** the cultural change aspect has also been another major element that has required attention from the management of the organisations. Most literature reviews have stated that cultural changes could have major impact on any implementation of performance metrics. The organisational understanding of the work processes has been another major characteristic in the Balance Score Card (BSC) implementation, and the ultimately customer satisfaction has been the main priority for the organisation. Thus, the PMS used should be capable of tracking the customer wants and needs

**Fifth,** Management and employees would depend heavily on the agreement of the performance metrics to be used and thus, it has been found to be critical for the employees especially at the managerial level in organisations to understand it clearly before involving themselves in the implementation processes.

**Sixth,** one of the critical success factors in the performance metrics implementation has to be the satisfaction of the customers and the quality characteristics have been found to be emphasized upon.

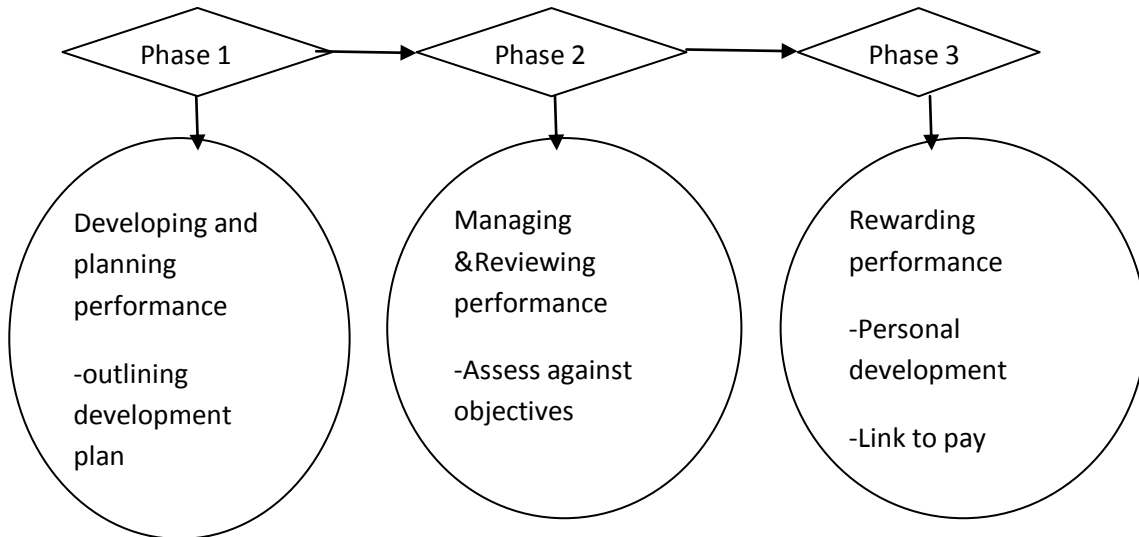
Smith (2002) stated that, 'Performance management is not static. It will change as performance issues vary, as marketing strategy changes, technologies and the means to measure and record performance change over time.' Thus, the statement asserts that the knowledge of BSC needs to be disseminated to MARA's top management because they are responsible for planning and organizing the company's strategy. Hence, once the top management is familiar with the BSC concept, only then are they able to utilize the company's financial and operational information to link its mission, vision, objectives and goals to develop the organizations.

### 2.1.3. PERFORMANCE MANAGEMENT PROCESSES

#### 2.1.3.1 The stages of Performance Management System

According to Schneier, Beatty and Baird (1987), a performance management system is classified into a development, planning, managing, reviewing and rewarding phase.

Figure 1: Stages Performance Management System



**Source:** Drawn according to interpretation-Original source: Schneier, Beatty and Baird, (1987:98)

From above figure and according to Schneier, Beatty and Baird (1987), the performance management system consists of three phases: developing and planning performance is the Phase 1 which includes outlining development plans, setting objectives and getting commitment activities; managing and reviewing performance is the Phase 2 which includes assessing against objectives, seeking feedback, coaching and document reviews activities; rewarding performance is the last phase which has personal development, results of performance and link to pay activities.

#### 2.1.4 - PERFORMANCE MANAGEMENT SYSTEM AND STRATEGY AT CBE

Performance management is defined at CBE as the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities and as a whole work system that begins a job is defined as needed .

Performance management is a process, not an event and how employee's performance is managed to a large extent drives employee engagement and also, PMS goes beyond appraising performance.

## PERFORMANCE PLANNING PROCESS AT CBE

- Clearly and precisely define what is to be accomplished by the employee.
- Discuss performance measurement parameter what, when, and how.
- Measure the right things.
- Focus on what is important and alignment with corporate goals.
- Discuss and agree on Performance target.

### TARGET AGREEMENT

Performance standards serve as orientation and gives direction .They help the employee defining his identity in the organization.

- Agree on date and time
- preparation
  - Conversation guideline
  - provide relevant information
  - Determine consequence of target achievement/non-achievement

### Target setting interview

- Create comfortable atmosphere.
- Meet without time pressure
- Communicate the relevance of the target
- Document all targets
- Set deadlines for milestones
- Prepare minutes of meeting
- Share agreed targets

### Appraisal interview

- Planned -actual-analysis
- Evaluation of the extent of target achievements
- Planned-Actual deviation
- Analysis of reasons
  - Result influence self-worth
  - Formulating new targets

### Feedback

- stars with positive facts
- criticize only concrete behaviour not a person



- Give concrete examples
- Explain consequences of behaviour for the employee and for the team
- Jointly develop action steps for improvement
- Agree on specific actions

### **2.1.5 - PERFORMANCE APPRAISAL**

Performance appraisals were normally used as a formal way to evaluate employees in terms of their performance. Normally a manager and an employee would participate in a meeting that was centred on the performance of the employee. To evaluate the employee, intricate documents would be completed and then held in files in the human resource department of the organisation.

An occurrence that was identified with this method of performance management was that the employee may have been overlooked until the next performance appraisal took place. (Torrington, Hall and Taylor, 2008). It was identified that although it was important to carry out formal appraisals on an annual basis, the appraisals should be utilised as an on-going process to reach specific goals of continuous development in terms of performance and with regards to all round capabilities and skills. For this to occur, employees and managers should be equipped to meet development and advancement as required. It is of vital importance that they learn from problems, achievements and conflicts that they encounter on a regular basis.

Gunnigle and Flood (1990) state that performance appraisal is a prearranged way to measure performance, attributes and abilities with the prospect of making choices in regards to rewarding, advancing and motivating employees

#### **2.1.5.1 Appraisal Aims**

Fletcher (2001: 4-5) discusses the main aims when executing appraisal

- 1. Making reward decisions;** It is required that there are comparisons in place between individuals in order to contribute rewards. When individuals are appraised on an annual basis, rewards can be determined in relation to those most merited.
- 2. Improving performance;** In order to educate an individual, there needs to be feedback given from the results of their performance in order for them to progress further.
- 3. Motivating staff;** Employees can be motivated through feedback, fair contribution of rewards and through goals that improve their performance.

4. **Succession planning and identifying potential** ; performance appraisals can classify individuals into the poor and strong performers, this provides the organisation with the capability of focusing succession planning on the individuals who will perform most efficiently and positively towards it.

#### **2.1.5.2- Different Types of Appraisal Methods**

According to Stone (2002), for an organisation to decide which performance appraisal method is required they need to choose a practice which best fits the culture of the organisation. It must also consider the strategic reasoning behind putting the appraisal system into use and how it will measure performance. The following are considered by Stone (2002: 286-289) as the various methods to be considered:

- **Ranking** - This is the 'oldest and simplest form of rating' and is used to compare each individual performance to enable the manager to position the individual to distinguish between who is best and worst. In order to rank employees, managers must comprehend the roles of the individuals and can therefore simultaneously compare their performance. This form of rating can be one-sided as it involves considerable difficulty in discriminating between employees in the middle.
- **Grading**- This can be used to compare the employee's performance utilising specific grade definitions such as superior, good, acceptable, marginal and unsatisfactory. The employee is entered into a category which their performance demonstrates.
- **Graphic Scales** - Can be utilised by measuring the individual's performance with specific characteristics that are established around their subjective characters i.e. 'initiative and dependability' or objective characters such as 'quality and quantity of work'.
- **Critical incidents** - This occurs when the manager records specific incidents which stipulate an employee acting in an incorrect way. They are generally recorded around when they occur and will be used against measuring an employee's performance.
- **Management by objectives** - This involves the manager and individual compromising on the same targets. The performance of the individual can be determined by the job at hand in which they have compromised and undertaken on.

These tasks are then reviewed at regular periods with regards to the achievement that has been made.

### **360 Degree Feedback**

Ward (1997: 4-5) outlines 360 degree feedback is essential for gathering of information on performance regarding an employee or team by stakeholders in terms of their execution of work. This method is utilised to figure out how employees or teams reach goals in terms of their performance and abilities. Ward specifies that stakeholders are concerned by individual's and team's performance and have the responsibility to answer questions in relation to their behaviour. The feedback that is provided by these stakeholders can help to provide training and development along with reward and appraising. It can contribute towards increasing the motivation of staff, communication and tasks that are performed. The system of carrying out the 360 degree feedback is a timely process as subsequent to obtaining the feedback, there are steps that are required to modify the performance of the teams and individuals.

As identified by CIPD (2009a), in order for 360 degree feedback to perform efficiently, questions should be precise, straight forward and relevant to the tasks that the individual is completing. The feedback should only be provided by a qualified person. When the feedback is successful and carried out appropriately, the feedback should deal with the recipient's thoughts regarding their actions being dissimilar to what they initially recognised it to be. Connections in different types of behaviours will also be found with the feedback.

The individuals receiving the feedback can chooses which abilities they wish to receive information on, The questionnaires are also secure with the option to use passwords and the use of the online questionnaires will help increase preciseness as correct information is received. (CIPD, 2009a).

It is of high importance that individuals receive truthful feedback on their performance according to CIPD (2009a) as this provides them with the opportunity to understand the way in which their tasks contributes to the goals that the organisation wishes to obtain. The use of 360 degree feedback contributes towards this as the receiver has a broader vision rather than just receiving feedback from the line manager.

The feedback that the individual receives should be confidential and the individual should have control over the process. The feedback given should be carried out in a constructive way that provides a purpose and samples should be provided of the way in which the individual's performance has been observed. The individual ought to be allowed to act on the feedback they have obtained at all times.

### **2.1.6- EMPLOYEE PERFORMANCE MEASUREMENT**

The concepts of performance are studied through evaluation of overall performance and the management of the performance and the evaluation of performance is the process classifying certain outcomes within a definite timeframe. Moreover, the axiom, 'If you can't measure it, you can't manage it,' underpins the rationale for organization having a completed and comprehensive performance measurement system such as the Balanced Scorecard or total quality performance management. This approach connects measures throughout an organization to translate high level objectives into lower level activities. Then, measures are imposed on individual employees to monitor their performance of these activities (Platts and Sobotka, 2010).

Performance criteria need to be unambiguous, clearly explained, relevant to the work tasks undertaken by employees and achievable. The criteria should not include factors beyond the control of the individual employee. Supervisors also need to be trained to provide regular, meaningful and constructive feedback. Employees should also be provided with appropriate training and development opportunities to overcome weaknesses in performance identified through the appraisal process. The assessment of individual employee performance also needs to focus on evaluating employee behaviour and work performance and not the personality of the employee.

According to Huselid (1995), employees within firms contribute for organizational performance and HRM practices can affect individual employee performance through their influence over employees' skills and motivation and through organizational structures that allow employees to improve how their jobs are performed. Also, it used labour turnover, productivity as employee performance measurement when he test the influence of HRM practices on employee performance. Labour turnover is the rate at which an employer gains and losses employees. Arnold and Feldman (1982) concluded that perceptions of job security, the presence of a union, compensation level, job satisfaction, organizational tenure, demographic variables such as age, gender, education, and number of dependents, organizational commitment, whether a job meets an individual's expectations, and the expressed intention to search for another job were all predictive of employee's leaving, and also concluded that perceptions of organizational culture influenced turnover. Job dissatisfaction could cause employees to leave once they have reached decisions on the desirability of movement and the perceived ease of movement (March and Simon, 1958).

## **2.1.7 THE RELATIONSHIP BETWEEN PERFORMANCE MANAGEMENT SYSTEM AND EMPLOYEE PERFORMANCES**

### **2.1.7.1 DEVELOPING AND PLANNING**

Mission and individual objectives are first stage of performance management system in developing a plan. In this stage, business needs to set up mission and objectives, and then clarify the individual responsibility and duty. A mission is an organization's character, identity, and reason for existence. It can be divided into four inter-relating parts: purpose, strategy, behaviour standards and values. Purpose addresses why an organization is in being; strategy considers the nature of the business; behaviour standards are the norms and rules of ' the way we do things around here '; values are the beliefs and moral principles that lie behind the behaviour standards, beliefs that have normally been formulated within the organization by a founding dynasty or a dominant management team (Campbell and Yeung, 1991). In order to maximize performance, organizations focus on the efforts of the organization on explicit, challenging and realistic aims and objectives.

The organization sets individual performance management targets which related both to operating-unit and wider organizational objectives. Performance management supports a company's or organization's overall business goals by linking the work of each individual employee or manager to the overall mission of the work unit. Individual targets or responsibilities could be the mechanism to enable the performance of individuals within the organization to be aligned with the mission statement and the way of adjusting performance requirements to meet new challenges which may arise.

In the first stage, the most important thing of developing and planning performance is setting mission and objectives. Mission and objectives could motivate employees to act by the directions; therefore, motivated employees are more engaged and involved with their jobs. Moreover, motivated employees are found to be more self-driven and more autonomy-oriented.

### **2.1.7.2- MANAGING AND REVIEWING PERFORMANCE**

In this second stage, there are lots of activities that include observing and document efforts and accomplishments; provide feedback, coach and counsel employee regarding performance. In this stage, enhancing communication within the organization, so that employees are not only aware of the objectives and the business plan but can contribute to their formulation. Besides, employee communication could be discussed in the narrowly defined context of mediated communication, for instance, the impact of internal newsletters or specialized internal communication tactics.

However, Cameron and McCollum (1993) found that employees tended to prefer direct interpersonal communication to mediated communication when they need more information on on-going issues of their corporations. According to Robertson (2005), an effective communication climate is based on such topics: job, personal, operational and strategic issue.

On the other way, providing the quantitative and qualitative standards for judging individual and organizational performance are important elements in managing performance. As a result, individual employees would be aware of the standards which will encourage them and be the main objectives of them. Performance reviews can be regarded as learning events, in which individuals can be encouraged to think about how and in which ways they want to develop. Performance feedback has significant potential to benefit employees in terms of individual and team performance. Taylor, Fisher and Ilgen (1984) suggest that feedback is essential for organizational effectiveness and that a lack of feedback can lead to anxiety, inaccurate self-evaluations, and a diversion of effort toward feedback gathering activities.

Effective performance feedback has the potential to enhance employee engagement, motivation, and job satisfaction. Performance feedback is a critical component of all performance management systems. It can be defined as information about an employee's past behaviours with respect to established standards of employee behaviours and results. Effective performance feedback is timely, specific, behavioural in nature, and presented by a credible source. The goals of performance feedback are to improve individual and team performance, as well as employee engagement, motivation, and job satisfaction (Aguinis, 2009).

Performance feedback is effective in changing employee work behaviour and enhances employee job satisfaction and performance (. On the other hand, it is necessary to analysis and understands the feedback which is always ignored its complexities. Feedback may improve performance under some conditions.

Coaching is an important tool in learning and development. Coaching is developing a person's skills and knowledge so that his or her job performance improves, leading to the achievement of organizational objectives (Cunneen, 2006). Similarly, Apperbaum and Armstrong (2003) pointed that the knowledge bases of coaching provide the company's employees with a new professional outlook that in the long term leads to a higher level of productivity. An individual's attitude towards an issue is factually the vision that he or she form around that entity. Positive attitude affects the productivity of the organization, affects the productivity of the organization, while skills refers to the employee's ability in undertaking the practical tasks. The employees feel more

efficient and confident in performing their duties when they learn what material would be needed, how the material must be collected and interpreted.

In the second stage, managing performance includes communication, collecting performance and coaching. Communication makes employees who are not only aware of the objectives and the business plan but can contribute to their formulation. Feedbacks contribute to evaluating the actual performance of employee with desired performance. Managers and employees could realize the advantages and disadvantages of their works. After the realization of pros and cons of works, the coaching plays a role to improve acknowledge and skills of employees and finally impact the employee performance.

### **2.1.7.3- REWARDING PERFORMANCE**

Rewarding performance happens on the end of performance period. The main activities include evaluating employee's accomplishments and skills; discussing evaluation with employees. It evaluates the effectiveness of the whole process and its contribution to overall organizational performance to allow changes and improvements to be made, and also provides the feedback to the organization and to individual staff about their actual performance. The effectiveness of any organization is dependent on the quality of its personnel. The right people must be originally selected into the organization, motivated to works; and sound personnel promotion and training decisions must be made in filling non entry level. An effective personnel performance evaluation system is a crucial cornerstone in this process, as it provides the data needed for most of the required administrative decisions. This system plays a key role in motivating people to utilize their abilities in pursuing the organization's goals (Musgrove and Creighton, 1973). After the evaluating and checking the feedback, managers or organizations should provide the pay-for-performance.

Financial appraisal is a useful tool to employee's passion for their work. In this stage, managers still need to focus on developing staff to further improve performance, and their career progression, in the future. Rewards represent important mechanisms by which employee behaviours can be aligned with the interests of the organization. Particularly, pay-for-performance is a reward practice that links one's pay increase to one's performance, and could be used to direct, sustain, and motivate desirable behaviours, such as knowledge sharing (Bartol and Srivastava, 2002), creativity customer satisfaction. Pay-for-performance establishes the behavioural criteria by which rewards are allocated and in doing so underpins the alignment of employee behaviour with organizational values and objectives. Therefore, if an employee achieves his or her performance objectives then the employee receives a pay increase. This simple and visible link between pay

and performance recognizes an employee for a specific level of accomplishment, therefore nurturing favourable work attitudes, such as satisfaction and commitment (Heneman et al., 1988). Thus, the effectiveness of pay-for-performance has a direct influence on high levels of service quality and desirable work attitudes.

In the last stage, rewarding performance consist of personnel development, final evaluation and rewarding activities. Financial appraisal is a useful tool to employee's passion for their work. Rewarding motivates the positive emotion of employees, such as satisfaction and commitment. Thus, the effectiveness of pay-for-performance has a direct influence on high levels of productivity and desirable work attitude.

### **Financial Rewards**

Rewarding employees for their performance can be a controversial area as it means that part of their pay is in the balance as stated by Redman and Wilkinson (2006). Base pay as explained below is the most common financial reward that employees will connect with in terms of their pay. As this type of reward does not take into account the organisation itself, the employee and the external factors which are constantly changing, managers are becoming less content with these rewards.

As outlined by Redman and Wilkinson (2006), moving from base pay to a combination of base and variable pay will highlight the requirement of the organisation to remunerate the employee for their efforts rather than for the job alone. Relying on convenient ways of evaluating an individual's work is therefore not as important. This type of reward is used for all employees in the organisation linked to their performance during the year.

**Annual performance incentives** - This pay is related to a set of objectives being satisfactorily completed by managers and employees with personal responsibility given for completion.

**Annual bonuses** - These are not incentives for goals given but are remunerated for levels of achievement.

**Long-term incentives** - Rewards are held off until all goals set are completed and remuneration mirrors continuous performance. Usually given over a 3-5 year time scale and are provided to upper management who have authority over organisational accomplishments.

**Team awards** - Reward mirrors that of team performance input and devotion by team members consistent over a period of time.



**Profit shares/gain sharing** - Shared rewards are provided for accomplishment, this is a good way of stipulating how the organisation is performing overall.

**Recognition awards** - These types of rewards are given to the individuals whose performance in the organisation is exceptional. The culture of the organisation should be embedded in these accomplishments. This type of reward is used for all employees in the organisation linked to their performance during the year.

### **Non-Financial Rewards**

Performance Management can be regarded as a way to provide assessments and the result of this determines pay as an outcome of judgements made. Armstrong (2006: 151) deems this to be improper as Performance Management can also provide rewards that increase the dedication to work. These rewards can be done through the ideology of accomplishments, the possibility of increased capabilities and talent and to provide feedback and guidance of the work of the individuals. These rewards are also deemed as 'non-financial rewards'. They can have more of a profound effect than that of financial rewards.

The following are the non-financial rewards identified by Armstrong (2006: 152-153):

**Recognition** - Recognise individual's achievements and areas where they excel and to keep them informed with regards to this. Individuals should be accredited for their accomplishments and given feedback on where they need to improve. The provision of opportunities to achieve - Performance Management is built on agreement between managers and individuals in terms of their job enrichment and progression, therefore they should be provided with techniques of development along with the job enrichment.

**Skills and development** - Reinforcement of the development of skills should be included with Performance Management giving a suitable system to train and maintain the development of skills.

**Career planning** - When Performance Management is reviewed it can provide individuals with an opportunity to discuss where their career is going in the direction of, it can also be utilised to determine whether their career is headed in the correct direction for themselves and for the organisation itself.

**Job engagement** - If individuals are involved and motivated by their jobs, then they tend to be more engaged with their work. Performance Management can contribute towards this by encouraging the individuals i.e. delegating responsibility for the outcome and completion of their targets of work.

**Commitment** - A vital area of Performance Management is that individuals are committed to the organisation and its goals; this is done by combining both the individual and the organisation's aims.

#### **2.1.7.4 TEAM-BASED APPRAISAL**

During the execution of an examination of the performance of a team it must correlate with the objectives set out for the team (Armstrong and Baron, 2004). The activities of Performance Management that will be required by the team will relate to the activities required by the individuals in terms of 'agree objectives, formulate plans to achieve them, implement plans, monitor progress, review and assess achievement and redefine objectives and plans in the light of the review'. (Armstrong and Baron, 2004: 122). The objectives set out for the teams and their line managers should provide them with responsibility to carry out and deliver the tasks set.

Redman and Wilkinson (2006: 164-165) recognise that in certain organisations, teams are more frequently being given responsibility for the designation of 'work tasks, setting bonuses, selecting new staff and even disciplining errant members'. This stipulates that performance appraisals in these organisations should be performed by the teams. The following are the two team appraisals recognised by Redman and Wilkinson.

#### **The manager appraises the team as a whole**

In this kind of team appraisal targets will be set and the performance of the members of the team will be measured and reviewed. The rewards provided will be in line with rewards given on an individual appraisal basis. Ratings received will be equivalent to each other in the team. After the team appraisals have occurred, the members are assisted with any issues they may have encountered with their performance or with issues regarding the abilities of team members. This will contribute towards the team engaging in an improved performance overall and will support the development of the team. In this type of appraisal, the team members rate and measure each other's performance through surveys which are done in a confidential manner - these are also known as 'peer appraisals'.

#### **2.1.8- DIFFICULTIES IN IMPLEMENTING PERFORMANCE MANAGEMENT SYSTEM**

According to De Waal and Counet (2008: 368-372) there are various problems which can be identified with the practice of Performance Management systems (PMS) -

- **There are insufficient resources and capacity available for implementation** - In order to implement PMS into an organisation it would require focus and time. The organisation may aspire to implement the PMS but may not have the appropriate resources, time and

amount of people to carry it out; this will result in an impediment in utilising Performance Management.

- **The organisation is in an unstable phase'** - Other concerns may take prominence and hold up the development of Performance Management such as 'reorganisations, mergers, acquisitions, new parent company initiatives or downsizing, or it has financial issues that put too much stress on management'.
- **'Lack of management commitment'** - If management demonstrate a lack of commitment to the implementation of the PMS this can follow suit with others in the organisation.
- **'Organisational members are not adopting the right management style'** - If the PMS is used by management in an in appropriate manner to punish individuals instead of educating and progressing them, then members of the organisation will dislike the PMS resulting in its information being misused.
- **There is a lack of knowledge and skills in regard to the PMS'**- The PMS will not perform accordingly if the members of the organisation do not know what is required of them with the system - this can stem from a lack of training with the PMS.
- **There is an insufficient link between the PMS and the reward system'** - If there is no connection or a deficient connection between the PMS and the reward system, the members in the organisation will not be appraised or rewarded in relation to work carried out with the key performance indicators and the critical success factors. This will lead to the members focusing on other issues and not comprehending the importance of the PMS.

### **2.1.9- EFFECTIVE PERFORMANCE MANAGEMENT**

If an all-round effective adoption of Performance Management is applied into an organisation, the following factors will create this according to Armstrong and Baron (1998:17-28)

- **'Organisational context'** - As the external and internal environment to the organisation is constantly changing it is vital that Performance Management acts accordingly to contribute to forming the change.
- **'Culture'** - If the organisation possesses strong values in terms of its culture, Performance Management can be affected by this. It is important to note that culture can be changed and Performance Management can aid this process. Mutual acceptance between managers and employees must occur to achieve this.
- **'Job design'** - Job design can provide better performance as it provides individuals with incentives and improved capabilities. In order to achieve this with Performance Management the job which is undertaken by the employee should be a full section of work in order for the employee to recognise what they are trying to achieve and the results are

clear. Employees should be given an input and power over making decisions and variety in the work they are carrying out.

- **'Teamwork'** - The need for organisations to incorporate better teamwork originated from the early 1990s as newer technology industries and finance and service industries required improved customer service through teamwork. In order for Performance Management to be effective, it needs to concentrate on working with teams along with individuals.
- **'Organisational development'** - This focuses on improving the way in which the company works and guides change through the progression and implementation of the organisations processes. This requires the organisation to utilise a holistic and united approach in Performance Management.
- **'Purpose and value statements'** - The performance of the organisation has purposefulness based on core values if it aims to satisfy the need of its stakeholders.
- **'Strategic Management'** - This is a way for the organisation to provide its critical success factors combining the zones of performance in the organisation that are the driving forces to target and meet the goals that have been established.
- **'Human Resource Management'** - All the plans that the organisation implements should concentrate on improving performance and achieving and developing individuals that are motivated and devoted to their jobs. (Armstrong and Baron, 1998:17-28)

## **2.1.10 - MANAGERIAL ROLES IN PERFORMANCE MANAGEMENT**

### **2.1.10.1 - LINE MANAGERS**

Line managers accomplish and bring together Performance Management. Armstrong and Baron (2005:17-19) state that line managers can be assisted in providing Performance Management through the following:

- Applying Performance Management into the organisation with the participation of the line managers in becoming involved in experimental research,
- Utilising a 360 degree feedback process to measure whether line managers are implementing the Performance Management system correctly in terms of how they deal with their employees and if there is a need for development of the line managers.
- Performing reviews with employees to see how they react to how the line managers implementing the Performance Management system and if there is a need for areas of improvement.
- Provide formal training for the line managers in the abilities that are required of them to carry out the Performance Management system. If new systems are being introduced then

training should be provided in order for the line managers to progress further. Formal training is highly important where new managers are concerned.

## **2.2 EMPIRICAL LITERATURE**

In recent decades, there are evidences showing that various institutions have started and introduced the new performance management system to measure their operations. For instance, 50% and 40% of organizations in North America and Europe respectively used the performance management system for measuring their institutions. Furthermore a survey conducted in the USA in 1998 showed that 43% of 276 organizations had changed their traditional performance measurement practices to the newly established tool balanced score card (BSC) performance management system. Therefore, global perspectives on performance management system practice is now a day's very familiar and popular in motivating employees, supervisors/leaders-performer relationship, merit pay & reward via bi lateral discussion and agreement.

In addition in the USA organizations with strong performance management system are 51% more likely to outperform their competitors on the financial measures, such as customer satisfaction, employee retention and quality of products or services Betrothal, Rogers and Smith,( 2005).

As reported by Kochanski (2007) a survey by Sibson and World at Work found that high performing firms have strong leadership support for performance management. An analysis of total return to shareholders over a three-year period (2003–05) revealed that 64% of the top performing companies had performance management systems that were rated as effective compared to only 36% of the of bottom performing companies. The companies that excelled at performance management: 1) used their systems as the primary way to manage individual performance throughout the company; 2) have strong leadership support; and 3) have more line champions.

As cited by Pulakos, Mueller-Hanson and O'Leary (2008) a recent Watson Wyatt survey found that only 30 per cent of workers felt that their performance management system helped to improve performance. Less than 40 per cent said that the system established clear performance goals or generated honest feedback.

In a study carried out by Gupta and Upadhyay (2012) it was discovered that there is a significant impact on performance management system on employee performance & commitment. The study concluded based on findings carried on small size that indeed there is a significant impact of performance management on employee satisfaction & commitment. Thus there is need for managers to ensure there is a set of balance between employee's interest and organizational

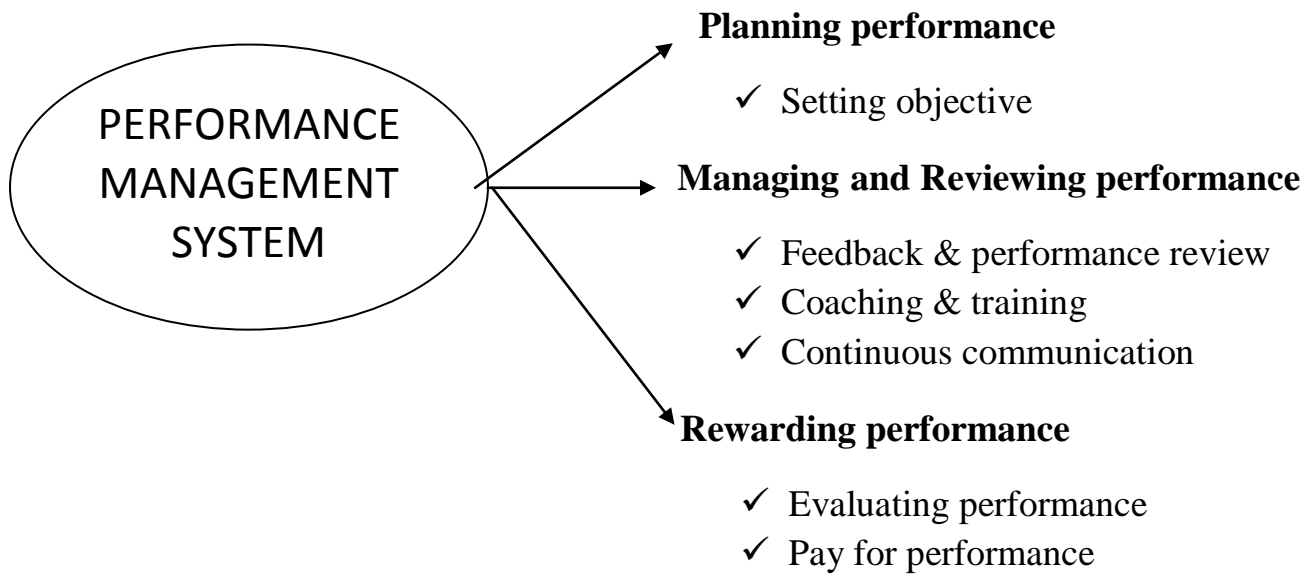
objectives. As there is need to understand and individual differences, abilities, perceptions and experiences (Mullins, L .j 2012). The following research evidences that found from the Book of Michael Armstrong, 2009 handbook.

The analysis by Guest and Conway (1998) covered the 388 organizations with performance management surveyed by the IPD in 1997. The key criteria used for determining the effectiveness of performance management were the achievement of financial targets, development of skills, development of competence, improved customer care and improved quality. Against these criteria, over 90 per cent of respondents rated performance management as being moderately or highly effective. The personnel managers, who in the main responded to the survey, believed that others, and more particularly senior managers, are even more positive in their evaluation. Many also believe that the overall performance of their organization, judged by internal criteria such as quality, productivity and cost, and external criteria such as market share and profitability, are at least as good as and are often better than that of their main competitors. The features of the performance management process that were likely to determine the degree to which performance management was rated as effective included the use of more innovative practices (e.g. 360-degree feedback), the presence of a formal evaluation system, a focus on employee contribution and achievement of individual objectives, and line management responsibility for keeping documentation. But there were caveats. The analysis indicated that the views of respondents to the survey should all be viewed with extreme caution since they are often based on a very limited form of formal evaluation, or on an absence of any formal evaluation. This raises serious questions about the basis for the generally positive assessment of performance management. Further more detailed statistical analysis of the replies to the questionnaire failed to demonstrate consistent evidence of any link between the practice of performance management and 216 Performance Management in Action outcomes such as the achievement of financial targets, achievement of quality and customer service goals and employee development goals. The conclusion reached was that this survey has produced no convincing evidence that performance management has an impact on employee performance and overall Organizational performance.

### **2.3 CONCEPTUAL FRAMEWORK**

A conceptual framework is an analytical tool with several variations and contexts. It is used to make conceptual distinctions and organize ideas. Strong conceptual frameworks capture something real and do this in a way that is easy to remember and apply.

**Figure 2 Conceptual Frameworks of PMS**



Source developed as per Beatty and Baird, Schneier (1987:98)

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1- RESEARCH DESIGN**

The researcher used a descriptive method of study. According to Cooper and Schindler, (2003) this method tries to answer the questions who, what, when, where and how and the researcher attempts to describe or define a subject, often by creating a profile of a group of problems, people or events. The purpose of this research is to assess the practice of performance management system in Commercial Bank of Ethiopia East Addis Ababa District (CBE-EAAD) branches.

The research strategy is descriptive based on quantitative research type and the research is described as involving a collection of numerical data. Descriptive research method is easy to use various forms of data as well as incorporating human experience. Quantitative research is based on the measurement of quantity or amount. It is applicable to phenomena that can be express in terms of quantity. This design was particularly important for the study because it helps to describe and interpret the actual events that exist now and existed in the past and that have influences on the present performance management system practice of CBE-EAAD. This enables the researcher to look the study in so many various aspects and can provide bigger overview about the subject matter the research presents as a descriptive study.

#### **3.2- DATA SOURCES AND TOOLS OF DATA COLLECTION**

The data is collected from both primary and secondary data sources. Primary data was gathered from Commercial Bank of Ethiopia East Addis Ababa District branches through questionnaire and interview. Employees of CBE EAAD were requested to fill the designed open and close ended questions. In addition to questionnaire, interview with managers was conducted. It is believed that Managers of CBE EAAD branches are highly responsible in performing the day to day activities and also they are the active participants of performance management system from its planning to review phases. These methods of data collection help the researcher to triangulate the data gathered from questionnaire with the data collected from the interview.

Secondary data were also collected different from documents which include performance management system policy and procedure of Commercial Bank of Ethiopia and published annual and quarterly booklets. These documents were reviewed to get different data about the study. Moreover annual and quarterly performance appraisal data were used as a secondary data sources for this study.



### **3.2.1 QUESTIONNAIRE**

A questionnaire was used as instrument of data collection because it provided wider coverage to the sample and also facilitated collection of a large amount of data. Hofstee (2006) reasoned that questionnaires will offer confidentiality and also allow getting more volume of data as they can be sent to more people. This study used a primary and secondary data collection. Primary data collection used open and close ended questions and also Likert Scale questions were developed and distributed to the selected sample which is 150 employees of Commercial Bank of Ethiopia EAAD who work in different branches and positions. The reason for using questionnaire is that responses are gathered in a standardized way, so as to be more objective and certainly more than interviews. Generally it is relatively quick to collect information using a questionnaire and potentially information collected from a large portion of a group, is also cost effective, easy to analyse and minimizes bias.

### **3.2.2 INTERVIEW**

In addition to the questionnaire structured interview is used for gathering primary data. Supervisors and managers as well as human resource managers were interviewed to investigate issues in an in depth way, discover how individuals think and feel about a topic and why they hold certain opinions, investigate the use, effectiveness and usefulness of particular issues, inform decision making, strategic planning and resource allocation, sensitive topics which employee may feel uncomfortable discussing , add a human dimension to impersonal data and deepen understanding and explain statistical data. Conducting interview also helps to understand the practical implementation of performance management in Commercial Bank of Ethiopia EAAD branches.

### **3.2.3 - DOCUMENT ANALYSIS**

In order to understand the subject matter different published and unpublished documents were reviewed by the researcher. Furthermore, annual reports, performance management system procedure of Commercial Bank of Ethiopia and quarterly performance appraisal files assessed to better understand how CBE EAAD practically implemented the performance management system, how employees understood the system, and what is the effect on an individual employee, unit and organization's performance for the successful implementation of organizational vision and mission.

### **3.3-POPULATION AND SAMPLING TECHNIQUES**

#### **3.3.1- POPULATION OF THE STUDY**

The population of the study include employees and management staff working at Commercial Bank of Ethiopia East Addis Ababa District branches. The total number of the population is 1500 and to survey the whole population is difficult due to time and financial constraints .So as to undertake the study representative sample was taken from the population. The sample size is 150 which comprise 10% the population.

Due to homogeneity of the characteristics of the population of the study the sample size 150(10%) is reliable for the representativeness of the population.

#### **3.3.2 SAMPLING TECHNIQUES**

The sampling technique used for this research is simple random sampling .This method was used to give equal chance to the population to make sure the representativeness of the data and also to ensure the representativeness of all characteristics of the population. In addition purposive sampling technique was implemented to involve those who are directly responsible with performance management system. It is the researcher's belief that using this method enables to have in- depth knowledge from those who are in a position to give information about the practice of performance management system at Commercial Bank of Ethiopia East Addis Ababa District branches.

### **3.4. PROCEDURE OF DATA COLLECTION**

To gather necessary information from the participants closed ended questions with Likert scale and some open ended questions and multiple choices were used. The reason for using the Likert scale is that it will enable certain arithmetical operations to perform the data collected from the respondents and as well it helps to measure the magnitude of the differences among the individuals or the group.

The questionnaire was prepared by the researcher based on relevant available literature and researchers past experience. The respondents were clearly oriented and the questionnaire prepared in understandable way. Out of 150 questionnaires some were distributed thorough contact persons and some of them through the customer service managers to different branch of CBE--EAAD and collected by the researcher from the same focal group in duration of a month. Most of the respondents returned on time while a few lagged behind. Besides interview sessions were organized in the respective offices of the managers of CBE EAAD branches. Interviews were conducted using structured interview questions. The Districts' branch Managers were approached to obtain relevant documents. These documents served as data source as well.

### 3.5. DATA RELIABILITY AND VALIDITY

Reliability means many things to many people, but in most contexts, the notion of consistency emerges. A measure is reliable to the degree that it supplies consistent result. Reliability is concerned with estimate of the degree to which a measurement is free of random or unstable error. (Cooper and Emory, 1995). And there are three frequently used perspectives to measure reliability these are stability, equivalence and internal consistency.

**Stability-** A measure is said to be stable if you can secure consistency result with repeated measurements of the same person with the same instrument.

**Equivalency-** How much error may be introduced by different investigators or different sample of items being studied.

**Internal Consistency-** this approach to reliability uses only one administration of an instrument or test to assess consistency or homogeneity among the items. Sound measurement must meet the tests of validity, reliability and practicality. In fact, these are the three major considerations one should use in evaluating a measurement tool. Therefore, briefly take up the relevant details concerning these tests of sound measurement. To ascertain the data quality and reliability questionnaire developed using English language as much as possible used easy words in order to make respondents comfortable in understanding the essence of the questionnaire. In the questionnaire to test the reliability of the data some technical method used like asking the same questions in different ways and analyse the answer.

#### 3.5.1 RELIABILITY

In order to test the reliability of data collection instrument, the responses obtained were used for calculating the Cronbach alpha.

**Table 1: Cronbach's Alpha Table**

No	Field	Number of Items	Cronbach's Alpha
1	Performance planning and execution	13	0.881
2	Performance assessment and review	5	0.885
		Entire 18	0.883

*Source: Own Survey (2018)*

As a result the cronbach alpha value of 0.883 was obtained after inputting the data into SPSS application. According to Tavaco(2011), the acceptable values of alpha is ranging from 0.70 to 0.95. Thus, the result showed the reliability of the questionnaire. Therefore, the validity, reliability

and practicality of this study are ascertained. And the confidence level is 0.95 applied for this research.

### 3.5.2 VALIDITY

Validity refers to the appropriateness, meaningfulness and usefulness of the specific inferences made from the measures (American Psychological Association, 1985, p. 9). Thus validity belongs not just to a measure but depends on the fit between the measure and its level.

Measures are rarely perfect and sometimes seem worthless. The value of a measure depends not only on its reliability and validity but also on its specific purpose. Thus a measure with a modest reliability and validity may prove adequate for an initial study but too crude for making an important decision about a particular person (David Dooley, 1995 p. 78).

There are various approaches to measuring the validity of measures; most fall into three types: **criterion**, **content** and **construct-related** (American Psychological Association, 1985 p.9). However, the distinctions among these types are not always clear cut, and some have argued that we should think of validation as the single process of hypothesis testing (Landy, 1986). Nevertheless, you need to understand the differences and limits of the three approaches and when to use each one.

**Criterion validity** involves correlating the criterion with the new measure that we are trying to assess. **Content validity** is one in which it is used on absence of criteria, that is, agreed-upon standards. On the absence of criterion, you can always assess a test's validity by inspecting its content, that is, by judging content validity.

**Construct validation** asks how well the test or measure reflects the target construct (Cronbach and Meehl, 1955). The abstract nature of constructs complicates this approach (Bailey, 1988). Just as we cannot finally prove theories, so we have difficulty settling the construct validity of measures. At best we can gather evidence that tends to strengthen or weaken our confidence in the construct validity of the measure. Several kinds of evidence can bear on the question of construct validity: the relations among items of a test, the relation of the test to other supposed measures of the same construct, and tests of the links among different constructs with in a theory.

In this study construct-related measure approach is used.

Data collected instruments developed based on relevant literature review in a way that they can address the basic research questions and draft questionnaires revised by subject experts and practitioners and comments incorporated and also comments given by the advisor incorporated.

### **3.6- METHOD OF DATA ANALYSIS**

The data gathered from questionnaire is summarized and analysed by using descriptive statistics like frequency, percentage and mean. Then the data was described using graphs and tables for more clarification and the data was coded using scientific statistical data analysis software such as SPSS. The data gained from interview and document review was analysed contextually as per the research basic questions.

### **3.7. ETHICAL ISSUE**

The participants or respondents of the research for data collection were guaranteed of confidentiality and anonymity by the researcher. This is to ensure the completed questionnaires and data files are used by the researcher for the academic purpose only. The respondents or participants in the research are not to be subjected to any mental and physical stress and also conducting respondents in polite way. The research work was started after getting the willingness of the respondents. Respondents were clearly communicated about the objective of the research before they were asked to give their answer. There was no any physical or psychological damage to them because of the research. Respondents were not asked about their name, race, religion, etc.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

#### **4.1 Response Rate**

In this chapter data collected through questionnaire, interview, and document review presented, analysed and interpreted in a brief and organized way. Among the distributed questionnaire, 130 have been collected and the remaining twenty were not returned, resulting in a response rate of 86.66%. In order to increase the validity of the information obtained, interview were made with the Managers. The basic reason for using interview is to have clear information and to triangulate the data gathered through questionnaire.

#### **4.2 DEMOGRAPHIC BACKGROUNDS OF THE RESPONDENTS**

In this section, the general background of the respondents of the study is summarized by focusing their gender, age group, educational status, and years of service and category of position classification. When we see the category this shows that since CBE has majority of professionals it is easy to transform the knowledge and skill they have to their customers who needs their consultancy and training service.

TABLE 2. Characteristics of the Respondents

1. Gender Of Respondents			
	Frequency	Percent	Valid Percent
Male	98	75.4	75.4
Female	32	24.6	24.6
Total	130	100	100
2. Age Group Of Respondents			
Less than 20	0	0	0
20 – 29	57	44	44
30 – 39	62	48	48
40 – 49	11	8	8
50 and above	0	0	0
Total	130	100	100
3. Educational Status Of Respondents			
Certificate	0	0	0
College Diploma	12	9	9
BA/BSC Degree	109	84	84
MA/MSC Degree	9	7	7
PHD	0	0	0
Total	130	100	100
4. Respondent's years of service			
Less than 1 year	5	4	4
1 to 3 years	26	20	20
3 to 6 year	42	32	32
6 to 9 years	38	29	29
More than 9 years	19	15	15
Total	130	100	100

Source: Own Survey 2018

Among the total respondents i.e. 130, 98 (75.4%) of them were male and the remaining 32 (24.6%) were female. This shows that the number of female staff is less by more than half from the number of male staff which means there is gender imbalance in the organization.

Regarding the age group of the respondents, the larger portion of the respondents that is 62 (36.8%) falls within the age group of 30 to 39. Age group from 20 to 29 and 40 to 49 hold 57 (44%) and 11 (8%) number of respondents respectively. From this we can say that CBE SAAD is filled with more younger, energetic and productive manpower that can be able to transform the mission and vision of the organization into reality.

Concerning educational status of the respondents, staffs who are degree graduates have the largest portion which is around 109 (84%), among the total respondents, 9 (7%) of them have masters degree and the rest of the respondents which is 12 (9%) are graduated with college diploma respectively. From the above table we can see that no one from the selected respondents have PHD. The fact that almost all of the respondents being educated in different levels it is believed that they can easily understand the questionnaire as desired by the researcher.

Based on the data collected through questionnaire, the large portion of respondents 42(32%) fall within the range of three to six years of service in CBE , the second highest percent 17 (25%) of the respondents have between 6 to 9 years of experience, 5 (4%) respondents have joined CBE with less than a year and the rest 26 (20%) and 19 (15%) respondents from the sample size have an experience of one to three years and above nine years respectively. It is the researcher believe that these combination of the respondents were good enough in finding the accurate information because the majority of respondents have three to nine years and more than nine years of experience in CBE , which is more than two years from which the Performance Management System was fully executed and this gives them an opportunity to reflect their opinion on the achievements obtained by CBE and clearly understand the current performance management system practice of CBE to identify the weaknesses , strengths and its effect on their performance of the system by comparing the previous and the current.

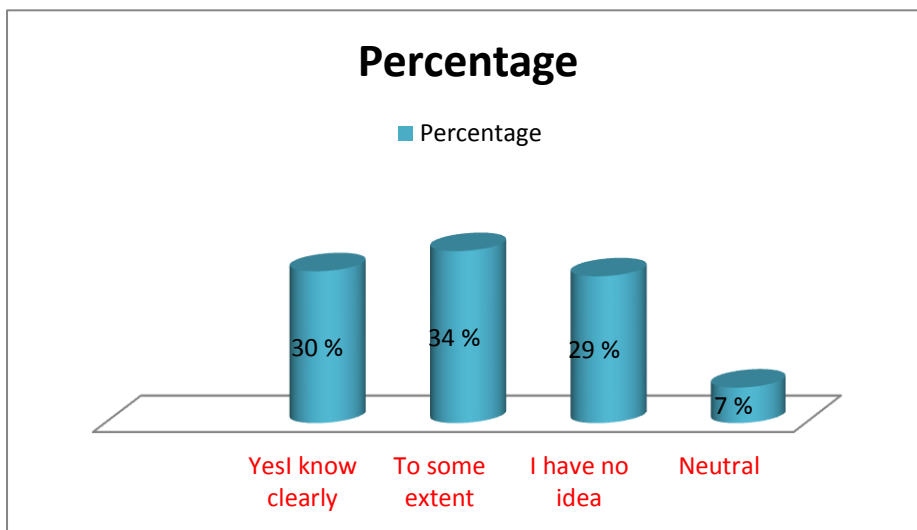
In general the above table which is characteristics of the respondents shows that the study is represented by those who are qualified in understanding the questionnaire as well as the subject matter, most of them are at their younger age and acquired experience which helps them to respond their true feeling without fear of losing their job and those who have an experience of more than three years in CBE again which helps them to understand the practice of performance management system which were implemented in CBE . As a result it is the researcher belief that the study is well represented by the respondents which helps to get the opinion of all which assures the accurate data have been secured from the respondents of the sample size.



### 4.3- ANALYSIS AND INTERPRETATION OF DATA COLLECTED FOR THE STUDY

#### 4.3.1- EMPLOYEES UNDERSTANDING ABOUT THE PURPOSE OF PERFORMANCE MANAGEMENT SYSTEM

Before implementing performance management system it should be clearly defined and the possible outcomes should also be known. In order to assess whether CBE EAAD defined it and listed out its purpose in a way it should be and whether employees are clear about the whole concept of PMS the following questions were forwarded to the respondents as well as the attendees of interview and their response is analysed and interpreted as follows.



Source: Own Survey 2018

Figure 3. Understanding the Purpose of PMS

Regarding employees awareness on the purpose of performance management system, respondents confirmed that 39 (30%) of the respondents were clearly aware of purpose of PMS goals of enhancing the ability and capacity of individuals and CBE and also 44(34%) know to some extent about PMS but have no idea about its purpose. But 9(7%) of respondents did not mark in the question box at all.

In order to check the main purpose on using performance management system at CBE, almost all respondents replied that CBE had introduced PMS to get a better result, to establish a culture where individuals and groups take responsibility for the continuous improvement in the institute, to provide employees with information about how they are perceived in the organization and where they stand and to determine who gets promotion and salary increment. This was also confirmed during the interview session. But, in addition almost all of the respondents answered

that based on their performance they did not receive a salary increment or promotion, bonus and also training not given to improve their poor performance. While conducting an interview this was also one of the question and the researcher had found that performance management system is not linked with salary increment and bonus and recognition of good performers.

On the other hand to facilitate data collection a focus group was organised and a meeting was held with the group. The data gathered from the focus group discussion revealed that even though respondents are to some extent clear about the purpose of the PMS but there is a big confusion on PMS. Performance management system is used to get employees to achieve the CBE's objectives and targets, improve overall branch effectiveness, develop performance capabilities, review and assess individual performance, and reward and motivate. However, the above data clearly shows that CBE --EAAD does not give much emphasis on the support staff to make them understand the main purpose of having performance management system and it can be said that employees are not on the same track of understanding the performance management system.

In different literatures it is clearly stated that performance management is all about setting up a shared understanding of what is to be achieved at an organisation level. It involves the alignment of organizational objectives with the individual's agreed measures, skills, competency requirements, target plans and the delivery of results. The focus is on performance improvement through learning and development in order to achieve the overall corporate strategy of the CBE. But in contrary the above data shows us even though above average respondents are clear about what PMS means, but this is not enough for CBE EAAD to make its employees more focused on their performance and have the same understanding on the essence and purpose of having performance management system in CBE .

#### **4.4- AWARENESS ON THE STRATEGIC OBJECTIVE OF CBE**

TABLE: 3 Respondents' views on Employees Awareness on the Strategic Objective of CBE

		Responses											
NO	Variables	SD		D		NAD		A		SA		MEAN	STD
		F	%	F	%	F	%	F	%	F	%		
1	Employees Knowledge of strategic objective of the CBE	2	2	6	5	10	8	93	72	19	15	3.93	0.98
2	The Alignment of individual goal with CBE goal	8	6	15	12	25	19	48	37	34	26	3.6	0.95
3	Is the target plan set to employees realistic and attainable?	45	35	30	23	27	21	18	14	10	10	2.4	1.15
4	Employees Clear understanding of the expected responsibilities	0	0	1	1	26	20	35	27	68	52	4.31	0.58

**Source;** Own Survey 2018

SD = Strongly Disagree, D = Disagree, NAD = neither Agree or Disagree, A = Agree, SA=Strongly Agree

Concerning the question on the awareness of the strategic objective of CBE, 93 (72%) agree on the issue, 19 (15%) strongly agree on their clear knowledge of the mission and vision of CBE. On the other hand 10(8 %) and 8 (7%) respondents are neutral and they did not have any information about the strategy objectives and existence of CBE respectively. Since performance management is a process that enables employees to perform their roles to the best of their ability which are directly derived from the strategic objective of the organization, they should be well informed about where the organization would like to go.

From this we can say that even though majority of the respondents know the mission, vision, values and the desired goal of CBE but it is not still quite enough for the effective realization of its objective because when it comes to knowing where the institute would like to go everybody should talk in the same language. This lack of awareness about the strategic objective might be due to communication gap in the CBE as a whole or due to the gap particularly, at EAAD branches level.

Concerning the alignment of individual goal with CBE goal respondents were asked about their level of agreement on the alignment of their goal with that of CBE goal. Accordingly, a total of 130 employees which 82(63) % of the respondents agreed on the fact that their goal set is cascaded from the branch goal whereas 25 (19%) of them have no clue about the issue and 23 (18 %) of the respondents disagree that their goal and the branch's goal is not aligned together and during the interview conducted with the managers they also confirmed it. This shows that even though the majority of the respondents agreed on the alignment of the CBE goal with individual goal, but still there are some who do not believe its alignment. As pointed out in the literature, integration is a major concern of performance management which could be achieved by ensuring that everyone is aware of the organizational and departmental objectives and by helping employees to know the objectives they agree of themselves and are consistent with the organizational goals.

On the subject of believing the target plan set to employees is realistic and attainable even though 45 (35%) and 30 (23%) of respondents strongly agree and also disagree respectively on the fact that their target plan set for them is not easy to make it realistic as it seems on the paper; it's on the paper but is not internalized by the employees of CBE—EAAD branches as they expressed. According to what they believe, they strived to meet the target plan expected from them but could not attain. The remaining 27 (21%) and believe that the target plan set for them is realistic and attainable. Here the researcher also believes that even if 58% of the respondents do not believe about the target plan set for them and who do not agree on the attainable rate is greater than 50% this will be a disaster for CBE--EAAD to have an employee who thinks his/her target plan will not have a significant contribution for the overall development of the CBE.

Part of the question focused on the clear understanding of the respondents regarding their responsibility. As a result the majority of respondents 68 (52%) strongly agree on their awareness of their responsibilities the expectation of CBE from them; the remaining respondents which are 35 (27 %) also replied that they know what they have to accomplish. On the contrary 26 (28 %) respondents are not clear about why they are employed in CBE which reveals that there should be much to be done to make them know the contribution gained from their job and the expected

output from their responsibility for the successful realization of CBE vision, mission and value as well as for their personal development and growth.

#### 4.5- PERFORMANCE PLANNING AND EXECUTION

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 employees’ opinion on the first phase which is performance planning and the response is analysed and presented as follows.

Performance execution is getting the job done in order to get the desired objectives in an effective and efficient way. 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.

TABLE-4; Respondents’ views on Performance Planning and Execution Assessments

NO	Variables	Responses										MEAN	STD
		SD		D		NAD		A		SA			
		F	%	F	%	F	%	F	%	F	%		
1	Employees agree and discuss on performance target plan	37	29	60	48	18	14	11	9	4	3	2.6	1.25
2	Sufficient resource available to execute the target plan	30	21	28	22	14	8	33	25	32	25	3.2	0.97
3	Employees Perform day to day Work As per the target Plan.	0	0	40	31	42	32	26	20	22	17	3.2	0.98
4	Employees receive regular feedback from the manager about their performance	52	40	42	32	19	15	9	7	8	6	2.07	1.03
5	Employees get support from managers on operational challenge	22	17	28	22	46	35	20	15	14	11	2.82	1.01
6	Mid-term review undertaken by managers due to change in position	48	37	35	27	30	23	16	12	1	1	2.13	0.98

Source; own survey 2018

SD = Strongly Disagree, D = Disagree, NAD = neither Agree or Disagree, A = Agree, SA=Strongly Agree

On the first question respondents were asked about the practice of CBE--EAAD in target plan setting for employees performance and the largest share which are 97 (74%) of respondents replied that they did not have a chance to participate on the goal setting while planning their performance goals and 18(14% ) respondents are neutral about the subject matter . In addition among the respondents 15 (12%) of them agree and strongly agree on their participation on performance planning. During interview conducted with managers most of the managers confirmed that there is not a practice of participating employees in performance target plan setting; simply the target derived from the branch target set from district, the manager cascades the target plan set to branch to employees as per their position without the agreement and discussion with them. Each of the respondents goes to disagree and strongly disagree level of agreement. According to the literature, performance planning is a process by which the manager and the employee get together for a discussion to set a goal which will be performed by the employee with a specific period of time and having an agreed target plan used to enhance the knowledge, skill and attitude of an employee to enhance his/her performance to execute the day to day activities effectively and efficiently as per the desired goal.

It is the first cycle where employees will be enabled to have a clear knowledge about the system. It is a stage where manager and employees 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. If goal setting is not part of a performance management process, the employee will end up on spending time on activities that do not contribute a lot to the organization and also to the employee. Hence, making employees participate in performance planning and goal setting will increase their performance because they will develop a sense of ownership for the work they have agreed on.

The next question which was forwarded to respondents was about Sufficient Resources availability to execute the target plan. As a result 65 (50%) of respondents agreed on the availability of resource to execute performance target and the remaining 14 (7%) and 58 (43%) neither agreed nor disagree on the issue and disagree on the availability of resource and with the interview conducted managers of CBE--EAAD most of them believed that they have resource constraints to execute the target plan set to employees.

Respondents are asked whether their day to day work is as per the target plan set on the performance target plan or not, as per their response 46(37%) of respondents agreed on their day to day work is going as per the performance target plan and they execute as per the target but, 40(31%) of respondents did not agree on their day to day work is as per the target plan set and the remaining 42(32 %) of respondents are neutral about the issue and also the managers confirmed in different reasons sometimes employees not perform their day to day activities as per the target

plan set . To achieve the overall objectives the CBE—EAAD’S every employee should do its day to day work as per the performance target set for his/her performance.

The other question forwarded to the respondents regarding Regular Feedback received about their performance from the manager most of the respondents 94(72%) responded that they did not receive any feedback regarding their performance achieved. the remaining 17(13%)agreed that they receive feedback about their performance achieved and 19(15%) respondents remain neutral about the issue . To achieve the overall objective of the CBE individual performance review, individual performance result, what their performance says and what is expected from them need to be communicated; this in turn will help to improve individual poor performance and to encourage and motivate top performers .

Respondents of the study were also asked about their level of agreement whether they receive support from managers and supervisors when they face challenges in their day to day activities; as per the respondents response 50 (39%) of them responded that they are not receiving support when they face a challenge and 34(26%) of respondents response shows that they receive support from their managers and supervisors to cope their day to day activity challenges; the remaining 46(35%) of the respondents response remained neutral about the issue .

The last question raised in this category to respondents was regarding whether there was Midterm review of target plan set to employee due to change in position: the level of agreement of respondents 48(37%) and 35( 27%) of response goes to strongly disagree and disagree respectively on the issue; there is no review and consequent amendment; the target plan set first ,if one employee changes his/her position, remains the same; i.e., there is no change in target plan set first . the remaining 17(13%)and 30(23%)of response shows agreed on there is midterm review target plan set first and neutral about the issue respectively .

In this regard most of the literatures reviewed argued that standards should be clear to the manager as well as the employee; both of them should agree that the standards are fair, specific and measurable as much as possible; it should be clear and time bound. If it is achievable and agreed on, it should be periodically evaluated and changed when necessary. The managers of CBE EAAD have to be proactive to identify the setbacks in the performance process. The identified setbacks and their solutions need to be discussed with the employees.

#### **4.6 - PERFORMANCE ASSESSMENT PRACTICE**

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

TABLE -5 Respondents' views on Performance Assessment Practice

NO	Variables	Responses										MEAN	STD
		SD		D		NAD		A		SA			
		F	%	F	%	F	%	F	%	F	%		
1	Employees have a chance to assess their performance (self-appraisal )	23	18	44	34	32	25	21	16	10	8	2.62	1.001
2	Manager gathers information about employees' performance from subordinate.	4	3	20	15	28	22	46	35	32	25	3.63	0.903
3	Biasness in performance appraisal by manager exists	8	7	29	25	62	54	7	6	9	8	2.50	1.06
4	Employees have discussion and meeting after performance review	25	19	36	28	41	32	16	12	12	9	2.65	1.08
5	Employees accept the appraisal result	11	9	38	31	50	41	18	15	6	5	2.61	1.02
6	PMS employed at our bank properly to measure employee performance.	18	15	45	37	26	21	21	17	13	11	2.58	1.09

Source; own survey 2018

SD = Strongly Disagree, D = Disagree, NAD = neither Agree or Disagree, A = Agree, SA = Strongly Agree

In assessment of performance of employee and appraisal result indicates that 67(52%) of the respondents replied that they were not given a chance to assess their own performance in a self-appraisal method based on the agreed plan; 32(24%) were indifferent and the rest of 31(24%) respondents did not agree on it. The managers of most branches during the interview session pin pointed that there is no such a practice of giving a chance of self-appraisal for employees for their performance. According to the literature reviewed if both the employee and the manager or supervisors have a chance to make an assessment and had a meaningful dialogue about the



expected result it will be easy for a manager to honestly and ethically assess how well an individual had done the task.

Employees participation in the assessment stage will result with the provision of relevant information, ensures buy-in from the users of the system, reduces fears and anxieties, reduces resistance to change, and generates commitment to the system. In this regard CBE has done a little bit but still it has big gap in a large rate and not enough to make the performance management system process smooth and free from bias.

Item two refers to a question about having peer's information while evaluating an employee performance. Consequently 24(18%) of the respondents replied that their supervisor did not ask their peer's opinion about their performance while making an assessment of employee's performance, 28(22%) have no idea whether there is such practice or not; and 78(60 %) of the respondents have witnessed that there is a practice of asking peer's opinion before rating an employee's performance. The data gathered from the interview showed that there is practice before performance assessment but it needs to be strengthened.

Based on literatures 360° feedback broadens the perspective on evaluating an individual by using multiple data sources which helps to find the results more compelling than a traditional evaluation from a single manager's perspective, improve staff performance and ensure business objectives that are attained and identify areas of concern which require management's attention. The accuracy of the evaluation is dependent on the quality of the data gathered. Performance data is obtained through observations of behaviours or less ideally by inferring behaviours through knowledge of results. With this in mind the above data show us there is lack of uniformity within branches in CBE on using 360° feedback on the practice of evaluating employees for the performance they have shown during the specific period.

Question forwarded to respondents concerning the rating errors which lead a manager to be biased. Thus, a total of 37(33%) of the respondents agreed on; 62(54%) of respondents seem to be indifferent and 16 (13%) disagree with the idea. Here the majority of the respondents believe that their supervisors are biased by different reasons when they assess employees' performance. In literatures we can find different kinds of rating errors and among them the inclination to rate people in the middle of the scale, an initial positive or negative judgment by supervisors which distort the real performance, generalizing one aspect of an individual performance to all areas of his/her performance and generalizing across the groups and ignore individual differences are the most usual errors that make a supervisor to be biased on individuals performance. Therefore, from

this aspect and from the data shown above some branches of CBE--EAAD has not done much in eliminating these errors.

The question regarding on the discussion between manager and employees after assessment has been made. As a result, a large portion of respondents 'response which is 37% and 42% replied as disagree and neutral respectively. The remaining 21% of them agreed that after assessment has been made they have a discussion with their manager on the exhibited performance to be based for the next performance. From this we can understand that still CBE--EAAD has done little in creating a culture of giving feedback in a continual basis and also after the completion of the performance appraisal period. Feedback toward goals and coaching to improve performance should be provided on a regular basis and certainly before the review cycle is over. Most importantly giving feedback allows employees to be informed about how well they are doing to receive information on specific areas that may need improvement and to learn about the CBE's and the managers expectations and what aspects of work the managers believe are most important. Getting feedback will let employees to know how they are performing and they also can clearly know what they all are trying to attain the strategic objectives that satisfy the vision and mission statement of CBE.

Questions forwarded to the employees of CBE—EAAD branches to assess their attitude regarding the appraisal result for their performance whether they accept it or not and what they feel about the appraisal result. As per the response of the respondents 49(40%) of them did not accept the appraisal result for their performance and 24(20%) of respondents agreed and accepted the appraisal result given for their performance but the remaining 50 respondents which is 40% of the total respondents remained neutral on the issue.

A question raised to assess the attitude of the employees regarding performance management system employed at CBE—EAAD branches measured properly their performance: 53% of them perceived PMS employed at CBE--EAAD not properly measure their performance, 26% of the respondents agreed on PMS measure their performance properly. The remaining 21% of the respondents remained neutral about the issue.

Employee's attitude towards the existence and its validity in measuring their performance PMS in CBE--EAAD, the result shows that even if some of the respondents are in favour of having such kind of system for the development of individuals, teams and organization but most of the respondents have a negative attitude about the introduction and practice of performance management system. They do not believe that its objective is to motivate employees and to serve

as a two way communication; rather it is implemented because it is the current notion of management and it creates confusion and lastly it is a tiresome process.

For a system to be effective the attitude of its implementers is the most important input. Without believing and taking the ownership of one system it will be difficult for an organization to get the desired output from the system. According to the respondents, what has been done so far in implementing PMS is not enough in making employees internalize PMS and be active participants and owners of the system so that CBE EAAD would be competent practitioner. A lot has to be done in changing the attitude and perspective of employees toward the PMS because it will be very difficult to get the desired objective having let alone majority of the staff but a single employee who thinks the PMS is a waste of time.

#### **4.7 PERFORMANCE REVIEW**

On the other hand performance review is the meeting between the supervisor and the employee to review their assessment. 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.

TABLE-6 Respondents' views on Performance Review Practice

NO	Variables	Responses										MEAN	STD
		SD		D		NAD		A		SA			
		F	%	F	%	F	%	F	%	F	%		
1	Performance Review Practice increased commitment and motivation	4	3	8	7	20	17	55	46	32	27	3.54	0.97
2	Employee receive reward based on their performance	32	25	41	32	30	23	15	12	12	9	2.49	1.18
3	Performance Review practice is transparent in our branch	6	5	16	12	25	20	45	37	31	25	3.45	0.96
4	There is midterm review of performance and adjustment of target plan	0	0	55	48	40	35	11	10	8	7	2.42	1.06
5	There is a discussion after performance review	25	19	36	28	45	35	18	14	6	5	2.57	1.08
6	Performance Review practice is important for the success of CBE—EAAD branches	0	0	8	6	15	12	67	52	40	31	4.07	0.92

Source; own survey 2018

SD = Strongly Disagree, D = Disagree, NAD = neither Agree or Disagree, A = Agree, SA = Strongly Agree

73% of the respondents agreed that performance Review practice increase their commitment to achieve their target plan set to them and motivate them, but 10% of them disagree and they believe performance management contribute to them nothing in their commitment and motivation

The question forwarded to employees of CBE--EAAD to assess what things employees received as a reward from Performance Review Practice (PRP) based on their performance: from the total respondents 57% of the total respondents did not receive anything as a reward based on their performance whatever their performance record result is and 20% of the respondents agreed on reward, they said that they received a reward based on their performance ,the remaining 23 % neither agreed nor disagreed on the reward they receive based on their performance. Performance Review Practice is one of the methods that motivate and increase employees' performance if it is attached with rewards.

To assess the Performance Review Practice in CBE--EAAD questions forwarded to employees of the branches about the Midterm Performance Review Practice target plan due to the change of position, as per the respondents 48% disagree and there is not practice of target plan review due to change in position and 17% of respondents agreed there is midterm review of target plan, but other respondents which is 35% from the total respondents remained neutral about the issue. From the interview conducted with the managers all of the managers believed that there is no Mid-term Performance Review Practice of target plan set to employees and also they believed that this was one of the weaknesses of performance management system employed at CBEEAAD.

Another question was forwarded to the employees in this category is whether there was a discussion after the Performance Review Practice. As per the response from the respondents 47% of them disagree and they confirmed that there has never been a practice of discussion on their performance after the performance review and 18% of respondents from the total respondents agreed that there is a practice, and 35% of respondents are neutral about it. In the interview with the managers, what the respondents said was confirmed. From the data analysed it is possible to say that there is no practice of discussion after review of performance.

Regarding the attitude of employees about the importance of Performance Review Practice for CBE--EAAD success and employee's personal success more than half of which is 83% of respondents agreed PMS is important in supporting to achieve the objectives of CBE and for individual success. This indicates that employees believed in the importance of Performance Review Practice for the success of CBE--EAAD and employees too.

#### **4.8- INTERVIEW AND DOCUMENT ANALYSIS**

To assess the performance management system practice and its effect on employee performance interview conducted with managers of CBE EAAD branches and analysed as follows. According to the data major questions were raised regarding job performed by individual employees is linked with the strategic objectives of the bank, as per the response of all the managers they agreed and believed the individual job performed by the employees is linked and attached with the strategy of the bank, but more than half of the managers believed that the target objectives of the bank are overstretched and the target plan cascaded to different branches.

Regarding the objectives of performance management system of the bank, question was forwarded to the respondents as to what output the bank expect from the system. From the interview respondents almost all responded from the PMS the bank expects high performance, motivation, commitment, learning and growth of employees of the bank. But, more than half of the managers believed performance management system is not implemented as expected and the Bank did not get desired result from the performance management system.

Regarding the practice of the Performance management system the target plan designed at the Bank in top level (corporate level) cascaded to district level. As per the performance of the Bank it has fifteen districts. The target plan set to each district cascaded to branches under the district and forwarded to branches and as per the branch level and performance, the branch manager receives 100% financial and non-financial target plan set to the branches. The branch manager cascaded the target plan set to the branch and to employees of the branch as per the position they have. The branch sets target plan of local currency, foreign currency, customer recruitment (customer base), mobile banking, internet banking and visa card. Recruitment, and target setting are not attended by employees. Participation of the employees is not practiced in most of the processes of PMS and they agree on the performance simply as per the set target plan to each of them based on their position.

Regarding the appraisal practice managers of all the EAAD branches responded that the appraisal method for financial target plan set is data gathered manually and evaluated. In case of non-financial target plan it is difficult to get data and the appraisal of the non-financial has no performance record. The range is only 1 and 4 which means below expectation and above expectation respectively as per the appraisal set by the corporate level.

There are Challenges faced by managers. The basic challenges of performance management that were mentioned during the interview session with the managers almost all of the managers

complaints were the absence of awareness of employees regarding the PMS and lack of training opportunities about it.

Data tracking system is not supported by the system. Still it is done manually and they believe that manual data gathering method did not perfectly measure the performance of the employees and also open to biases by data gathering employees. Lack of Resource to execute the target plan set to individual employees is another challenge to PMS. Resources equally targeted are not distributed equally to employees. One of the challenges mentioned by all managers is the lack of target plan set first is not revised at all. The target plan set to employees as per their position and when there is a change of position during the quarter the target plan set is not revised.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

This chapter focuses on the summary of the major findings of the research questions, conclusions and recommendations forwarded in light of the relevant literature developed by scholars and responses of research participants.

#### **5.1 SUMMARY OF MAJOR FINDINGS**

The main objective of this study was to assess the practice of performance management system (PMS) in Commercial Bank of Ethiopia EAAD by having the following basic questions to be addressed.

1. Are individual goals and performance objectives aligned with strategic objectives of CBE--EAAD?
2. To what extent is PMS understood and internalized by employees?
3. Are processes, methods and effects of Performance Management System clearly known by the workforce?
4. How are the planning, execution, monitoring, evaluation and rewarding phases in particular Performance Management System carried out at CBE--EAAD?
5. What is the response of management and employees on the transparency and fairness of performance review process at CBE EAAD?

The data collected from target respondents through questionnaire was compiled and summarized by using SPSS statistical software. The variables were analysed by using frequency counts, percentages, mean values, and standard deviation. Finally, information obtained through open ended questions, interview, and document review were mathematically analysed and interpreted.

According to the data analysis presented in previous chapter, there were positive and negative findings concerning the implementation of the performance management system by Commercial Bank of Ethiopia EAAD branches.

On the other hand the adverse findings obtained from respondents that need the attention of CBE management are discussed as follows.



- Employees responded that target set to them for their performance is not realistic and attainable; they understand the target plan is overstretched and impossible to achieve.
- Lack of supervision by managers or supervisors on employee performance and their day to day work follow up as per the target plan set, and employees do not get regular feedback about their performance after their appraisal result.
- Employees have no chance at all in participation in target plan setting for their performance and most of the employees did not accept the appraisal result, also they believed their performances are not measured properly.
- When there is change in position employee's performance target plan is not revised and not corrected during the quarter period in which the change occurred and some employees do not have target plan.
- Employees do not have a chance to assess their performance (self-appraisal), the appraisal of performance of employee is undertaken only by managers and the appraisal results of the employees are not accepted by the employees and also there is no discussion and meeting between manager and employee after the appraisal result.

From the study it was also identified that most of the respondents do not have a chance to jointly agree on the standards of performance measures with their supervisors which help them to know with what rate they are going to be assessed.

During the study some positive findings are obtained.

- ❖ Most of the employees of CBE EAAD filled with educated employees more than 90% of them degree holders and more over this indicates the CBE EAAD branches have productive employees.
- ❖ Most of the employees have clear understanding of what expected from them and their responsibilities.
- ❖ More than half of the employees of the Bank understand the purpose of PMS and the strategy of the Bank; this is positive for the organization .But not adequate.
- ❖ Employees of CBE EAAD believe that it is good to have PMS for the success of the Bank and for them (individual success.)

## **5.2- CONCLUSIONS**

Performance management system enables the CBE to plan, measure and control the performance of the employees according to the predetermined strategy and standards set for the performance. It also enables to achieve the desired result of the Bank.

The study was conducted to assess the practice of performance management system at CBE under East Addis Ababa District branches. From the finding which is 63% of the respondents response indicates that individual goals and objectives are aligned with the objectives of CBE. This is a satisfactory finding. However, the finding also indicates that more work needs to be done to enhance PMS in the District. Moreover the cascaded target plan set to the employees' performance is below acceptable level which is 22% and the target is overstretched. Few of the employees (14%) of CBE have clear knowledge about the mid-term review of performance and adjustment of target plan of their units. Most employees (82%) do not accept their appraisal result.

Regarding the transparency and fairness of performance review process CBE PMS is not transparent. Employees perceived PMS as not clear to them and they did not receive feedback after the appraisal and simply accepted the result.

From this study, it has been noted that CBE EAAD branches have neglected the importance of the involvement of employees in the performance planning process of Performance Management System. Based on the evidences obtained from the analysis, employees complained that they are not participating in performance planning. In addition respondents do not have a chance to jointly agree on the performance measure standards with their managers and lack of planning process awareness of PMS even with the managers. That is why employees are not aware of the performance evaluation objectives and performance standards as well as the importance of having an agreed individual target plan. This implies that CBE EAAD does not undertake PMS as per the procedure and concept of the PMS and the practice is differing from the concept of PMS.

Concerning the practice of performance management system in CBE problems like rating employees, inaccuracy of the rating method, failure of having software which helps to gather data about employee's performance and reporting their status as well as automating the performance management system. CBE, two years after completion of the implementation process and after finalizing the required study in this regard, shows a tendency of reluctance to make the supervision and follow up for the successful implementation of PMS . This hinders the PMS from providing the expected output on employee performance and performance of the bank.

The practice of PMS and its implementation in CBE EAAD not fully realised as per the performance management system concept and deviation from the concept of PMS stipulated in different literatures is observed. As a result, considering the fact that regardless of the type, size and objective of the Bank, performance management system is a globally contemporary practice all over the world which helps the organization, individual to be more effective in their day to day activities to bring about the desired objective and for the successful growth and development of

each. One can conclude that even though CBE has some good qualities in implementing performance management system, a lot should be done in making the performance management system to be more useful for successful and achievement of the Bank's objectives

The findings of this study imply that PMS is one of the most important tools to be in place and to be well practiced in all of organizations in order to measure performances of employees and evaluate how well an organization performs its duties in order to be effective, efficient and productive. If its practice is omitted due to indifference and negligence an organization would suffer of the consequences. Therefore, key positions of an organization should be filled with responsive, diligent and professional practitioners.

### **5.3- RECOMMENDATIONS**

In considering the major findings of the study and the conclusions drawn, some efforts were made to forward possible recommendations for the attainment of a better result out of the Performance Management System (PMS) in CBE--EAAD for the better achievement of the objectives.

- Performance planning should not be always a sole activity of managers and sub-ordinates but should include the desire and practice of involving employees during the design and implementation of the plan to ensure success.
- To change the attitude of employees about the implementation and process of performance management system, CBE—EAAD has to organize training for employees to know about the benefits of performance management system and related processes.
- When it comes to managing the performance of employees, all staffs have equal stakes of responsibility and accountability to the development of the organization. To this end CBE--EAAD should also give attention to branches by making them aware of the purpose and process of performance management system to participate efficiently in the system.
- CBE--EAAD has to create an opportunity for employees to set their individual plan with the agreement of their manager as they are directly responsible to execute a realistic and attainable development plan to achieve the desired goal.
  
- In the performance assessment part, CBE--EAAD 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 behaviour not to accept the evaluation result because the evaluation is based on what they are accountable for.

- CBE--EAAD has to fully implement the practice of self-appraisal and peer appraisal across the employees. Reviewed literatures suggested that it is good to have multiple of sources to gain accurate information about an employee's performance. This will help the Bank to have more sources of information about an employee performance to build on the strength and compensating for the observed weaknesses.
- The Bank should have to attach the performance of individual employees with financial and non-financial rewards based on their performance. Rewards are one of the motivation factors of employees to enhance their performance and for the CBE objectives achievement.
- Finally, CBE--EAAD should work hard to the full implementation of PMS and as much as possible it should make the evaluation criteria to be very objective and conduct the evaluation at the right time.

In general, it is advisable for CBE--EAAD to sustain all its current strengths, and improve its limitations mentioned above to challenge future uncertainties for the proper implementation of PMS and for the success of employees and the Bank.

#### **5.4- LIMITATIONS AND IMPLICATIONS TO FURTHER RESEARCH**

- During the study some limitations were faced by the researcher that some branches' data handling method was poor and there was difficulty to access for secondary data.
- Some of the questionnaires were uncollected due to respondents' negligence.
- Some managers of CBE--EAAD branches were unwilling for interview and some others were not available for the interview appointment.
- Lack of on time collection of questionnaires because respondents did not fill the questionnaires on time.

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APPENDIX -A

*St. Mary's University School of Post Graduate Studies*

*School of MBA in General management*

**Questionnaire to be filled by: Employees of CBE EAAD Branches**

**Name of student; SELAM TADESSE**

**Dear Respondents,**

The purpose of this questionnaire is to collect primary data for conducting a study on the topic, ‘assessment performance management system practice’ as partial fulfilment to the completion of the program in Masters of business administration in general management (MBA General). In this regard I kindly request your time to provide me with reliable information so that the findings of this study would meet the intended outcome. I strongly assure you for the data gathered confidentiality and only used for academic purpose. This is a good chance for you participating in this interesting research study and I would like to thanks in advance for your voluntary participation for the success of my research study.

**Directions**

- No need to write your name,
- If you have any question, please contact me on 0912367591.

**Part I – General Information**

1. Gender:           (A) Male                               (B) Female
  
2. In which age group do you fall?  
(A) Less than 20    (B) 20-29   (C) 30-39   (D) 40- 49    (E) 50 and above
  
3. What is your highest educational status?  
(A) Certificate   (B) College Diploma   (C) BA/BSC Degree   (D) Masters  
(E) PHD



4. Years of service in CBE:

(A) Less than 1 year (B) 1 to 3 years (C) 3 to 6 years (D) 6 to 9 years (E) More than 9 years

5. In which work position do you work in CBE currently?

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**Part II Purpose of Performance Management System**

6. Are you clearly aware of the purpose of Performance Management System which is implemented by your organization?

(A) Yes (B) No

7. If yes what type of performance management system used by CBE?

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8. If yes, for question no. 7 what is the purpose of having Performance Management System in CBE

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9. Do you think Performance Management System is clearly defined in the organization?

(A) Yes (B) No

10. If No, what do you think is the reason?

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11. Is there an opportunity for employees for promotion and recognition based on their performance?

(A) Yes (B) No

12. Do you have clear understanding about performance management system?

(A) Yes (B) No

13. Have you agreed and discussed on performance target set to you?

(A) Yes (B) No

14. Is there any reward based on your target achievement performance?

- (A) Yes (B) No

15. If Yes for the above question what type of reward is?

- (A) Financial (B) Non- financial

16. Do you think the current target plan set to you and the appraisal for your performance is right?

- (A) Yes (B) No

17. If the answer is No for the above question why or what do you think is the reason?

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**Part III Performance Planning and Execution Note:**

Performance Planning is a stage where the manager and the employee meet together to discuss and agree on what will be done for the future and how it should be done and Performance Execution is getting the job done by achieving the objectives. Therefore having this in mind please rate your level of agreement or disagreement for the following questions.

**DIRECTION**; please put this mark (X) in the provided box number you choose for the appropriate questions.

**Part IV; Performance Assessment and Review Note:**

Q.NO	1= Strongly Disagree 2= Disagree 3= Neither Agree Nor Disagree 4= Agree 5= Strongly Agree	1	2	3	4	5
18	I know the strategic objective of CBE					
19	My individual goal is aligned with the strategic objective of my business process/work unit as well as the organization					
20	Our branch target plan is realistic and attainable					
21	I have clear understanding about what my job responsibilities are and what is expected from me					
22	In CBE goal setting is carried out with the discussion between the employee and the supervisor					
23	While setting a goal my supervisor clearly tell me the expectation he/she has from my performance					
24	I am informed and reach on an agreement with my supervisor about the standards that will be used to evaluate my work					
25	My supervisor and I reached to an agreement about my development plan to enhance my performance					
26	CBE provides me sufficient resources to execute my job properly					
27	I have received feedback regularly about my performance from my supervisor					
28	I always be informed about a change in organizational goal and the initial goal setted by me and the supervisor is also updated accordingly					
29	I always get support from my supervisor while I face challenges in performing my day to day activities					
30	There is a midterm review between my supervisor and me regarding my performance in the past months					

Performance Assessment is conducted with the interaction of employee and supervisor for evaluating the extent to which the desired behaviour and results are met during the specific period

of performance review. Based on these purposes please rate your level of agreement or disagreement for the following questions.

DIRECTION; please put this mark ( X ) in the provided box number you choose for the appropriate questions

Q.NO.	1= Strongly Disagree 2= Disagree 3= Neither Agree Nor Disagree 4= Agree 5= Strongly Agree	1	2	3	4	5
31	I have given a chance to assess my performance (self-appraisal method) based on the agreed plan					
32	Always my supervisor gather information about my performance from my peers or subordinates while assessing my performance					
33	When my supervisor assesses my performance he/she is biased by different reasons					
34	After assessment have been done I always had a discussion meeting with my supervisor to review my performance					
35	Performance Management System is important for the success of me and CBE, thus it is good to have					

***Thank You!!!***

*St. Mary's University School of Post Graduate Studies*

*School of MBA in General management*

**Interview Guideline**

1. Do all employees informed about the mission and vision of the CBE?
2. Does the specific job performed by an individual is linked with the strategic objective of the CBE?
4. Does the institute successfully handle the planning, execution, assessment and review processes of Performance Management System?

If yes, how and if not why?

5. What were the major objective/expected/ outputs set by CBE from Performance Management System?
6. Does Performance Management System bring the desired outcome to CBE? If yes, discuss how tangible results were observed?
7. Does Performance Management System bring the desired outcome in employee motivation?

If yes, discuss how tangible results were observed?

8. Could it be possible to say that CBE has successfully implemented Performance Management System?
9. Do you have any other comments or suggestions regarding Performance Management?

## **DECLARATION**

I the undersigned, declare that this thesis is my original work, prepared under the guidance of Asst. Professor Goitom Abraham. All sources of material used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of earning any degree

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**SELAM TADESSE (The Student Researcher)**

**St. Mary's University, Addis Ababa JUNE, 2018**

## ENDORSEMENT

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

**Goitom Abraham (Asst.Prof.)**

\_\_\_\_\_

**Advisor**

**Signature**

**St. Mary's University, Addis Ababa**

**JUNE, 2018**

