



**ST. MARY'S UNIVERSITY**

**SCHOOL OF BUSINESS, MASTER OF HUMAN RESOURCE  
MANAGEMENT**

**THE EFFECT OF PERFORMANCE MANAGEMENT ON  
EMPLOYEE MOTIVATION**

**THE CASE OF DAN CHURCH AID**

**BY**

**KONJIT JANKA**

**December, 2018**

**ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE  
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**APPROVED BY BOARD OF EXAMINERS**

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## **DECLARATION**

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Tilaye Kassahun. 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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**St. Mary's University,**

**Addis Ababa**

**December, 2018**

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## **ACRONYMS AND ABBREVIATIONS**

**DCA**- Dan Church Aid

**EDR**- Employee Development Review

**LM**- line Manager

**PA**-Performance Appraisal

**PR**- Performance Review

**PMS**- Performance Management System

**PMP**-Performance Management Processes

**INGO**- International Nongovernmental Organization

**HR**- Human Resource

**HRM**- Human Resource Management

**NGOs** – None Governmental Organizations

**QUAL**- Qualitative

**QUAN**- Quantitative

**SD**- Standard Deviation

**SMT**- Senior Management team

**ProLog**- Procurement and Logistics



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## **ABSTRACT**

*This study assesses the existing practice of performance management system and identifies the effects of the system on employee's motivation. For this study, the researcher used Census method because the total number of population is small. Since, the total population under study was 91, researcher studied the entire population out of which 82 (90%) responses have been obtained and analysis was conducted based on obtained responses. Self-administered questionnaires and face-to-face interview had been conducted to collect data. Data obtained from the questionnaire was analyzed and interpreted by use of ANOVA multiple regression, to identify the existing relationship between performance planning and prerequisite (independent variable) and performance assessment and review (independent variable) and employee motivation (dependent variable). The study revealed that there is a positive relationship between performance management system(PMS) and employee motivation; so the implementation and effectiveness of the PMS directly affects employee motivation. The study concluded that performance prerequisite and planning and performance assessment and review process (performance management system) is highly correlated with employee motivation. Therefore, it has been recommended that DCA take remedial actions to develop performance management system in which employees enhance their performance due to its motivational effect.*

### **Key-words:**

Performance, Performance management system, Performance Management  
Process and motivation

# **CHAPTER ONE: INTRODUCTION**

## **1.1 Background of the Study**

Performance management system is a set of unified activities and procedures that are treated as a main component of an organization's. It is a technique to manage performance through developing the skills and capabilities of its human capital, in order to enhance organizational competence and achieve the business goal Aguinis (2009, p28). Performance management is defined as a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. A company that has an effective performance management system is more likely to achieve its goals and objectives than a company that does not have this. This by implication shows as the importance of performance management and the impact it has on employee's motivation to work (Ibd)

According to (Campbell, et.al. 1993 ) performance is something that people essentially do and can be observed. Performance is what the organization hires one to do, and do well.

Hence, various researches claim that an organization performance management system has a great effect on employee motivation. Aguinis, (2009) argues that when employees are satisfied with their organization's performance management system, they are more likely to be motivated to perform well, to be committed to their organization, and not try to leave the organization. It shows that PMS of an organization is like a tool for motivation.

To further encourage the implementation of performance management system, a better understanding of its impact is critical. As a result, the need to conduct this research was initiated in light of this perspective. The overall purpose of this study is to assess the existing performance management system of the DanchurchAid Ethiopia and to identify the impact of the system on employee motivation to perform.

## **1.2 Background of Dan Church Aid (DCA)**

Dan church aid (DCA) is a legally registered international NGO engaged in development and humanitarian assistance to poor rural people in Ethiopia in partnership with Ethiopian NGOs and

civil society organizations. It is Danish relief and development organization working to assist and empower people affected by poverty and disasters to live a life in dignity.

In Ethiopia, DCA commenced its work in 1982. Key areas of its work are saving life and livelihood through humanitarian interventions resilience building of vulnerable communities and empowerment. Currently DCA works in four regions in Ethiopia, Amhara, Oromia, Gambella and Afar. DCA's areas of works include humanitarian response, food security, resilience building of vulnerable community members and capacity building of civil society organizations

### **1.3 Statement of the Problem**

The overall aim of performance management is to establish a high performance culture in which individuals and teams take responsibility for the continuous improvement of business Aguinis, (2009), as well stated when employees are satisfied with their organization's performance management system, they are more likely to be motivated to perform well.

Similar to other sectors, NGOs are in constant competition to secure funds from donor agencies and are always put under strict inspection towards their previous and current performance records. As many scholars and experts of human resource management have stated, organizations can only achieve their goals and excel their competitors through their human resource competency. However, the existence of competency in the human resource by itself is not enough; they must also be motivated to exert the most use of their competencies persistently.

(Macky and Johnson ,2000) constrained that the importance of performance management system is on continuously improving organizational performance, and this is achieved by improved individual employee performance. Therefore, improving employee performance by using performance management system serves as one of the vital ways of improving organizational performances. Consequently, in this study, the researcher investigates the relationship between performance management system and employee's motivation to perform. According to the researcher's observation and peer informal discussions, despite the fact that performance management system is believed to aid in increasing the performance of employees', the contrary is being observed in the organization under study. In addition as per 2017 salary survey results, the organization under this study found one of the ten competent organizations in terms of salary and benefit.

Previous researchers like Samuel Arega (2012), Yohannes Gudeta (2013) and Bethelhem Tsegaye (2014) studied the practices of performance appraisal in different organizations engaged in the business, public, and private sectors in the country.

On a similar note, Hilian Temsgen (2013), Betelehem Negatu (2015) and Yemisrach Mihret concentrated on the assessment of performance management system on NGOs even though their assessments were not about the impact PMS has on employees' motivation to perform.

Although there are few researchers who have tried to study the issue, as mentioned above, their sectorial focus was mostly on the business and profit maker organizations. Nowadays, NGO sector is equally exerting strong influence for the economies of a given country just as much as business sector. Hence, this study has paramount contribution in indicating the relationship that exists between an effective performance management system and employees' motivation. This is to mean that employee's performance is increased as performance management system is found to be effective. As a result, studying the impact of the existing performance management system of Dan church aid (DCA) on the motivation of its employees' is the aim of this study.

#### **1.4 Objectives of the Study**

The main objective of this study is to assess the current performance management system that has been implemented by Dan Church Aid (DCA) and its effect on employees' motivational level.

Specific objective

1. To determine whether the existing PMS of DCA has an effect on employee's motivation.
2. To identify the extent of effect the existing performance management system has on employees' motivation.

#### **1.5 Research Questions**

- 1 What does the current Performance Management System look like and how is it implemented?
2. What is the effect of the existing performance management system on the DCA's employees with regards to increasing their motivation?

## **1.6 Definition of Terms**

In this study, the term *performance management system* used to mean the process of performance planning, assessment and review within an organization.

The term *predictor variable* used to mean ‘the observable performance planning, assessment and review process that contribute to enhanced employee Motivation to higher performance.

In this study, the term *criterion variable* refers to ‘the outcomes that the organization performance management system has brought forth on the employee.

The term *Performance* is used to mean ‘the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed.’

In this study the term *Motivation* mean the ongoing performance management activities within an organization designed to enhance the fulfillment and performance of employees.

## **1.7 Significance of the Study**

This study investigates the relationship between performance management system and employees motivation as perceived by Dan Church Aid employees. Furthermore, it assesses the perceived effect on the motivation level of the employees resulting from the current performance management system practiced by Dan church Aid.

Considering the above stated aspects, the study is assumed to be useful in:

1. Creating awareness on whether the existing PMS of the organization has an effect on the motivational level of its employees and at what level.
2. Enabling the researcher and the readers to have wider understanding on the relationship between performance management system and employee motivation.
3. Serving as a source document for other researchers to conduct further study on the subject matter.

## **1.8 Scope of the Study**

The study is focused only on a specific international non-governmental organization (INGO): Dan church Aid Ethiopia.

This study has one main thematic area, which is identifying the effect of performance management system on employee's motivation. The paper focused on only employee's performance management. Hence, team performance and organization performance not the concept of this study. Thus, the study assessed the performance management system (PMS) in this research PMS stands for the existing practice of performance planning and prerequisite, assessment and review process with regards to being motivated to perform higher as the result of the PMS in place.

### **1.9 Limitations of the Study**

Lack of research skills and experience from the researcher's side may shade limitation on the quality of this research paper.

Additionally, due to time and financial constraint, face-to-face interview has only been conducted with employees who were based in Addis Ababa; Nonetheless, telephone interviews have been conducted with the employees residing out of Addis. Therefore, the outcome of this study will be understood considering this limitation

### **1.10 Organization of the Paper**

This study is organized in five chapters. The first chapter deals with the introduction part incorporating the background of the study, the statement of the research problem, objectives of the study, significance of the study, scope of the study, limitations of the study and definition of terminologies used. The second chapter encompasses review of related literature. Chapter three focused on the research methodology, data collection and procedures, sample and sampling techniques, whereas the fourth chapter entertains data analysis and discussion. Lastly, summary of findings, conclusion, and recommendations are presented under the fifth chapter.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

The main objective of this research is to assess the current performance management system that has been implemented by Dan Church Aid (DCA) and the effect it has on employees' motivation. This chapter discusses about definition, objective, process of performance management system and its impact on employees motivation in depth from different books, researches and internet sources.

### **2.2 Theoretical Literature**

#### **2.2.1 Performance Management**

It is sometimes assumed that performance appraisal is the same thing as performance management. But there are significant differences. Performance appraisal can be defined as the formal assessment and rating of individuals by their managers at or after a review meeting that usually takes place once a year. It has been discredited because it has traditionally operated as a top-down and largely bureaucratic system owned by the HR department rather than by line managers. Armstrong, (2009)

In contrast performance management is a continuous and wider, more comprehensive and more natural process of management that clarifies mutual expectations, emphasizes the support role of managers who are expected to act as coaches rather than judges, and focuses on the future, Performance management is owned and driven by line management, That means performance management is an ongoing process of communication between a supervisor and an employee that occurs throughout the year, in support of accomplishing the strategic objectives of the organization. The communication process includes clarifying expectations, setting objectives, identifying goals, providing feedback, and reviewing results. (Ibd).

#### **2.2.2 Performance Management System**

Performance management system is a set of interconnected activities and procedures that are treated main component of an organization's technique to manage performance trough people and developing the skills and capabilities of its human capital, in order to enhancing organizational competence and the achievement of business goal. That means performance

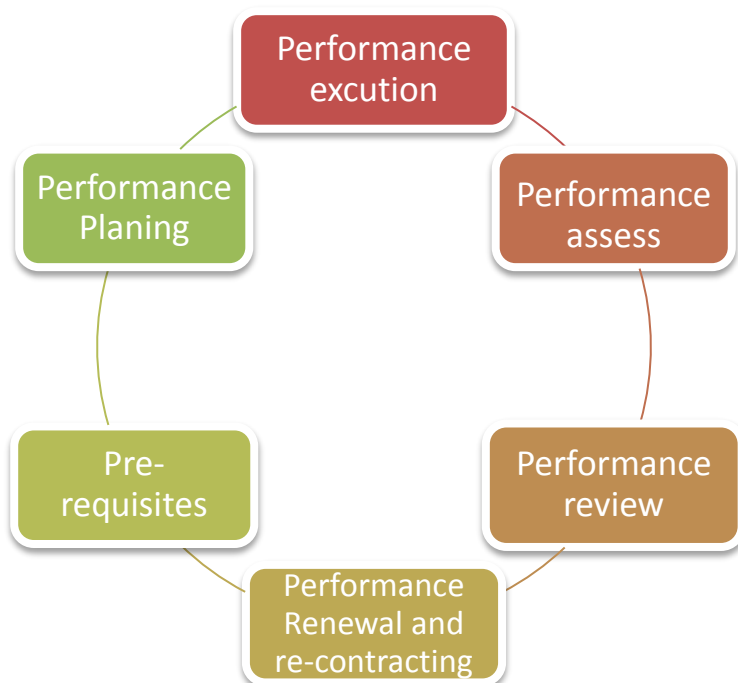


management system is a process in which an organization is managing the employee performance for the better achievement. Performance management processes have become prominent in recent years as means of providing a more cohesive and continuous approach to the management of performance than was provided by previous isolated and often inadequate merit rating or performance appraisal schemes, Armstrong, (2009).

However, most common and popular performance management process takes six phases as it is described by Aguinis (2009).

The researcher, use as source of conceptual framework this six phases of performance management process in order to assess the contribution of performance management system on employees motivation.

Figure 2.2.1 Theoretical Frame of the Study



***Pre-request***

This is the first stage of the process which requires having knowledge of the organization's mission and strategic goals and understanding of the job in question. Aguinis, (2009) states that if there is a lack of clarity regarding where the organization wants to go, or the relationship between the organization's mission and strategies and each of its unit's mission and strategies is not clear, there will be a lack of clarity regarding what each employee needs to do and achieve to

help the organization get there. Organizations are required to define the purpose or the reason for existence, where they want to be in the future, what objectives to achieve by deploying different strategies to achieve those objectives.

As it is discussed in the above, at this stage of the performance management process, the first requirement is to have is that knowledge of the organization mission and strategic goals. The second prerequisite of the performance management process is knowledge about the job in question which is done through job analysis. Job analysis is a process of determining the key components of a particular job, including activities, tasks, products, services, and processes

### ***Performance planning***

At this stage of the performance management system what is expected is that employees have to a comprehensive knowledge of the performance management system. In relation to this, Armstrong, (2006) stated that performance planning is the process of agreeing objectives and competence requirements and producing performance agreements and performance improvement and personal development plans.

Aguinis,(2007)stated that, a discussion of results must include key team accountabilities, specific objectives for each key accountability (i.e., goals to be reached), and performance standards (i.e., what constitutes acceptable and unacceptable levels of performance).

### ***Performance execution***

Performance execution is the stage where the employee expected to perform or implement the agreed upon goals during the performance planning phase of the process by delivering the results, behaviors as well as developmental plans Aguinis h ,(2009) stated that, the employee has the primary responsibility and ownership of this process of the performance management system. As it is discussed earlier, at this stage the employee is expected to put all his or her effort to produce the expected result by displaying the required behaviors as well.

- Although the employee has primary responsibilities for performance execution, the supervisor also needs to do his or her share of the work and supervisors have responsibility over the following issues:
- Observing and documenting performance on a daily basis to keep track of good and poor performers.

- Perform the necessary update and revise initial objectives, standards, accountabilities and also behaviors whenever the organization's goals may change.
- Provide feedback on a regular basis on progression toward goals and coaching to improve performance and certainly before the review cycle is over.
- Supervisors should provide the necessary resources that facilitate the employee to perform his or her responsibilities and also create the opportunities to involve employees in developmental activities. In general supervisors have a responsibility to ensure that the employee has the necessary supplies and funding to perform the job properly.
- Supervisors must let employees know that their outstanding performance is noticed by reinforcing effective behaviors and progress toward goals. Also, supervisors should provide feedback regarding negative performance and how to remedy the observed problem.

### ***Performance Assessment***

Performance assessment phase is the stage where both parties (employee and supervisor) should take their part regarding to evaluate whether performance (result) is on the right track with the desired level of behavior. "It is important that both the employee and the manager take ownership of the assessment process. The reason is that firstly, it provides good information to be used in the review phase since both parties have a saying. Secondly, there is a greater likelihood that the information will be used productively in the future. Additionally, the inclusion of self - ratings helps emphasize possible discrepancies between self - views and the views that important others (that is, supervisors) have. It is the discrepancy between these two views that is most likely to trigger development efforts, particularly when feedback from the supervisor is more negative than are employee self – evaluations" Aguinis,(2009, p48)

### ***Performance review***

The performance review is a formal setting where both parties (i.e the employee and supervisor) meet face to face to discuss their respective self-assessment made in the performance assessment phase of the performance management process. This phase covers achievements, growth and difficulties requiring revision upon performance agreement and personal development plan. Aguinis ,(2009)

### ***Performance Renewal and re-contracting***

Performance renewal and re-contracting is the final stage of the performance management process. As Aguinis ,(2009) stated that this stage is similar or identical to the performance planning stage of the process and the main difference is that the renewal and re-contracting stage uses the insights and information gained from the other phases.

The above six step of performance assessment system indicate /emphasize that performance management is an ongoing process of communication between a supervisor and an employee that occurs throughout the year, in support of accomplishing the strategic objectives of the organization.

### **2.2.3 Contribution of Performance Management System to Employees' Motivation**

There are many advantages associated with the implementation of a performance system according to Aguinis, (2009) when employees are satisfied with their organization's performance management system, they are more likely to be motivated to perform well, It shows that performance management system has enormous impact on employee performance.

Poorly implemented performance management system decreases the employee motivation to perform. Motivation may be lowered for many reasons, including the feeling that superior performance is not translated into meaningful tangible (e.g., pay increase) or intangible (e.g., personal recognition) rewards (Ibid).

Clarify definitions of job and success criteria, increase motivation to perform, increase self-stem and enhance self –insight and development are major contribution /advantage of implementation of performance management system (Ibid).

On the contrary, lowered self-esteem, employee burnout and job dissatisfaction, damaged relationships and use of false or misleading information are the major disadvantage or danger of poorly implemented performance management system.

Performance management can make a positive contribution to various aspects of HRM, particularly in the area of strategic alignment, motivating and developing employees. Lack of effective PMS leads to an increased risk of litigation, there are several other detrimental outcomes of poorly implemented system, including employee burnout and job dissatisfaction, damaged relationships, and increased turnover, (Cleveland and Murphy, 1989).

## **2.2. 4 Motivation**

Motivation is the desire within a person causing that person to act. People usually act for one reason: to reach a goal. Thus, motivation is a goal directed drive, and it seldom occurs in a void. The words need, want, desire, and drive are all similar to motive, from which the word motivation is derived. Understanding motivation is important because performance, reaction to compensation, and other HR concerns are related to motivation. Rajput (2011), contends that the word motivation is derived from a Latin word “Mover” which literally means “to move”. They defined motivation as “the individual’s desire to demonstrate the behavior and reflects willingness to expend effort”.

### ***The role of job design in motivation***

According to Armstrong, intrinsic motivation is provided when jobs are well designed. And to be job well designed, the job has to the following characterizes these are autonomy, discretion, self-control and responsibility; variety; use of abilities; availability of constructive feedback; belief that the work is significant Armstrong (2009) as feedback and use of abilities are part of performance management system this idea supports that there is positive relationship between performance management system and employee motivation.

Approaches to understanding motivation differ because many individual theorists have developed their own views and theories. They approach motivation from different starting points, with different ideas in mind, and from different backgrounds. No one approach is considered to be the “ultimate.” Each approach has contributed to the understanding of human motivation, Spurgeon and Harrington, (1989). Wiley (1997) also suggests ensuring the success of a company, employers must understand what motivates their employees, and such understanding is essential to improving productivity. These suggestions imply that organizational success depends heavily on employee motivation, and managers must understand what motivates their employees. Understanding the concept of motivation could assist incompetent and inexperienced managers, in terms of employee motivation, identify what motivates their employees to enhance their performance, as cited by Wiley (1997).

### **Motivation Theory**

Armstrong states that the approaches to motivation are underpinned by motivation theory. The most influential theories are classified as follows:

- Instrumentality theory, which states that rewards or punishments (carrots or sticks) serve as the means of ensuring that people behave or act in desired ways.
- Content theory, which focuses on the content of motivation. It states that motivation is essentially about taking action to satisfy needs, and identifies the main needs that influence behavior. Needs theory was originated by Maslow (1954), and in their two-factor model, Herzberg, (1957) listed needs which they termed ‘satisfiers’.
- Process theory, which focuses on the psychological processes which affect motivation, by reference to expectations Vroom, (1964), and perceptions of equity Adams, (1965).

The theories of motivation seek to justify why certain employees act or do things in a certain way rather than others. For the purpose of this research, the researcher will consider the following theories only:

Maslow’s hierarchy is a systematic way of thinking about the different needs employees may have at any given point and explains different reactions they may have to similar treatment. An employee who is trying to satisfy her esteem needs may feel gratified when her supervisor praises him. However, another employee who is trying to satisfy his social needs may resent being praised by upper management in front of peers if the praise sets him apart from the rest of the group, Armstrong, (2009).

### **Herzberg’s two- factor Model Theory**

Frederick Herzberg approached the question of motivation in a different way. By asking individuals what satisfies them on the job and what dissatisfies them, Herzberg came to the conclusion that aspects of the work environment that satisfy employees are very different from aspects that dissatisfy them. Herzberg labeled factors causing dissatisfaction of worker as “hygiene” factors because these factors were part of the context in which the job was performed, as opposed to the job itself. Hygiene factors included company policies, supervision, working conditions, salary, safety, and security on the job. In contrast, motivators are factors that are intrinsic to the job, such as achievement, recognition, interesting work, increased responsibilities, advancement, and growth opportunities. According to Herzberg’s research, motivators are the conditions that truly encourage employees to try harder, Baumeister, (1995).

## **Goal Theory**

Goal theory as developed by Latham and Locke (1979) states that motivation and performance are higher when individuals are set specific goals, when goals are difficult but accepted, and when there is a feedback on performance. Participation in goal setting is important as a means of getting agreement to the setting of higher goals. Difficult goals must be agreed and their achievement reinforced by guidance and advice. Finally, feedback is vital in maintaining motivation, particularly towards the achievement of even higher goals, Armstrong, (2009).

### ***Level of motivation***

According to research conducted by Mosley, Megginson, and Pietri (2001), there are three levels of employees' motivations.

- The direction of an employee's behavior. It relates to those behaviors which the individuals choose to perform.
- The level of effort. It refers to how hard the individual is willing to work on the behavior.
- The level of persistence. It refers to the individual's willingness to behave despite obstacles.

This refers to the level of motivation mentioned above, when the organization recruited an employee, the assumption is that the employee had a baseline motivation level as he was willing to be hired, that is the first stage of motivation and once after the employee joined the organization. But after that the organization should develop different tactics, strategies and policies to motivate employees willing to perform despite obstacles. It refers to the third level of motivation (The level of persistence).

## **2.3 Empirical Literature**

### **Empirical Studies on the contribution of performance management system on employee motivation**

Danish and Usman (2010) in a study to determine the impact of reward and recognition on job satisfaction and motivation of employees from both private and public sectors organizations in Pakistan found that rewards and recognition were positively related with motivation. They concluded that effective rewards management leads to increased employee motivation and

commitment. These findings are similar to the findings of Ghorbani and Ladoni (2013), who conducted a study of 84 production managers, marketing managers and senior managers from home appliances companies in Iran to establish the effect of reward systems mechanisms on new product development. The results of their study indicated that there was a positive and a statistical significant relationship between rewards management and new product development. They concluded that managers can influence new product development by collectively developing, implementing and designing effective reward systems. Janja et al., (2013) in a study of 84 employees of Kenya Power and Lighting Company (KPLC) in Nakuru examined the effect of reward on employee performance. The results of the study indicated that financial rewards had no significant effect on employee performance. The study concluded that organizations should seek to understand their employees' needs so that they can employ the right motivational strategies.

The study conducted by Hassan Danial Aslam (2010) on improving performance management practices in IT firms of Pakistan indicted that the organization needs to remind itself the crucial role of HR in employee's performance evaluation and development. The result of the research findings shown that because of the organization performance management system there is high level of discomfort, job dissatisfaction or demotivation is creating rigid gap between employees and management which is speedily leading the company towards performance decline.

Performance management can make a positive contribution to various aspects of HRM, particularly in the area of strategic alignment, motivating and developing employees. Lack of effective PMS leads to an increased risk of litigation, there are several other detrimental outcomes of poorly implemented system, including employee burnout and job dissatisfaction, damaged relationships, and increased turnover, Cleveland and Murphy, (1989).

Receiving feedback about one's performance increases the motivation for future performance. Knowledge about how one is doing and recognition about one's past successes provides the fuel for future (Ibid).

An article review that was done on employees work motivation and its effect on their performance by Samira Al Jasmi showed that employee performance is not just tasks and work to be done just to get bonus or pay increase. It is an ongoing process where the main objective is to improve both individual and business performance Baker, (1999).



According to the literature done in Gana concerning examining the role of motivation in employees performance, in an attempt to validate the role of motivation in the institution, 81% of the respondents opined that induced hard work was their preferred form of encouragement to elicit the desired outcome.

This refer the level of motivation mentioned above , when the organization recruited employee, the assumption is that, the employee had baseline motivation level as he was willing to be hired, that is the first stage of motivation and once after the employee joined the organization. But after that the organization should develop different tactics, to evaluate the improvement o of the employee technical& intellectual capacity and assign difficulty tasks accordingly.

According to Farooq & Aslam (2011), managers are trying their level best to develop the employee's capabilities, ultimately creating employee motivation within the organization.

Performance management systems are now standard in the top organizations in the private sector and right across the public sector around the world. Their value was underlined in a Saville and Holds worth survey of large organizations operating in Britain, which discovered that sizeable majorities agreed that such systems are 'Very Good\Good' for reviewing past performance, setting individual objectives, improving current performance, determining bonuses, identifying training and development needs and motivating staff as cited in Thatcher ( 1996).

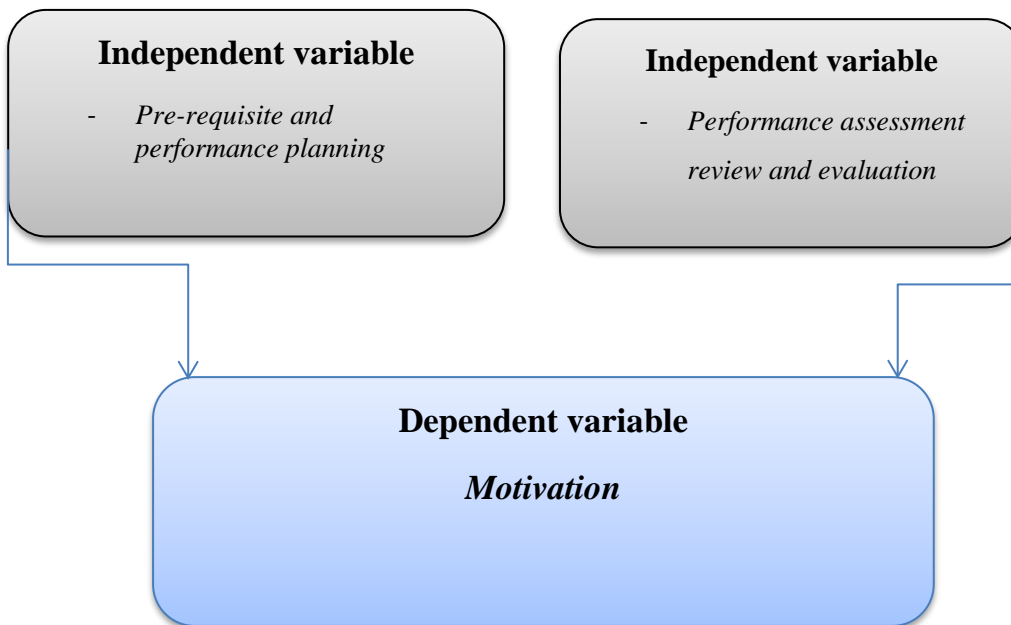
The study conducted by Hassan Danial Aslam (2010) on improving performance management practices in IT firms of Pakistan the result of the research findings shown that because of the organization performance management system there is high level of discomfort, demotivation is creating rigid gap between employees and management which is speedily leading the company towards performance decline. It implies that performance management problem can be case for the gap employee & management

## **2.4 Conceptual Framework of the Study**

Performance Planning, Performance Assessment, and Performance Review system (Performance Management System) are independent variable of this study which are the controlled factor by the researcher. The study has one dependent factor-employee motivation that varies when the controlled factor becomes operated. Based on scholar's theories regarding the positive relationship that exists between performance management system and employee motivation, the

placement of effective performance management system (performance pre-requisite and planning, performance assessment and review) brings forth a positive effect on the employees' motivation. As a result, the study conceptualizes that there exists a direct positive relationship between the independent and dependent variables of the study as indicated in the below figure.

Figure 2.4 Conceptual framework model of the study



Conceptual framework explaining the relationship between performance planning, assessment, review and evaluation system, and Motivation; *Source: Own developed framework based on Aguinis (2009).*

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 Research Approach**

Mixed approach was selected to this research which assesses what does the current performance management system look like and how it is implemented in DCA; the effect/contribution of the existing performance management on employee with regards to increasing motivation. In addition, the study also tried to identify the relationship between performance management system and employee motivation; where the study assumed good performance management system increased competencies employee motivation. As a result, the design of this study was a two-stage one: explanatory and causal type. Robson (2002), stated that an exploratory study is a means of finding out what is really happening; seeking new insights; to ask questions and to assess phenomena in a new light. Accordingly, its great advantage is that it is flexible and adaptable to change. Casual study, as stated by Kothari (2004), is used to determine the frequency with which something occurs or with which it is associated with something else.

Mixed research approach was selected because first it enables the study to answer a broader range of research questions- to gain broader perspective; secondly, results from the methods may validate each other and provide stronger evidence for a conclusion; and lastly, this approach increases the generalizability of the results.

The major motivations behind the choice of using mixed method approach for this study was related with the rationale of 'Complementarity'. Complementarity is depicted as one of the five purposes by Greene (2007), which seeks to enhance insights on the selected phenomenon of the study and elaborate it more. Complementarity seeks elaboration, enhancement, illustration, clarification of the results from one method with the results from the other method. It is used to answer related questions for the purpose of evaluation or elaboration. In elaborative designs, which is the design used in this particular study, qualitative methods are used to provide depth of understanding and quantitative methods are used to provide breadth of understanding Creswell & Plano, (2011).

The complementarity intent of this study was illustrated by the use of qualitative interview to assess the effect of the DCA performance management system on employee motivation, as well as quantitative questionnaires which comprises of both close-ended and open-ended questions.

### 3.2 Research Design

In basic concurrent mixed designs, the following three conditions hold: (a) both the quantitative and qualitative data are collected separately at approximately the same point in time, (b) neither the quantitative nor qualitative data analysis builds on the other during the data analysis stage, and (c) the results from each type of analysis are not consolidated at the data interpretation stage, until both sets of data have been collected and analyzed separately, and (d) after collection and interpretation of data from the quantitative and qualitative components, a meta-inference is drawn which integrates the inferences made from the separate quantitative and qualitative data and findings (Onwuegbuzie & Johnson, 2006, pp.53).

The mixed method research notation system which was developed by Morse (1991) as cited in Teddlie & Tashakkori (2009), indicates whether the project has a qualitative (QUAL) or quantitative (QUAN) orientation, which aspect of the research design is dominant (QUAL or QUAN) and which is less dominant (qual or quan), and whether the projects are carried out simultaneously (QUAL + quan) or sequentially (QUAN → qual). Teddlie & Tashakkori, (2009).

A concurrent nested design was used for this study where the quantitative (QUAN) method dominates whilst the qualitative one is embedded, or nested. Hence, only one data collection phase, QUAN + qual, was used. This nesting, in this study, means that the embedded method which is the 'qual', addresses the qualitative research questions parts. This study was guided by a theoretical perspective of most common and popular performance management process as it is described by Aguinis ,(2009). Furthermore, this study conceptualized that performance planning, assessments and review enhanced employee motivation.

Greene, Caracelli & Graham (1989) stated that the data must be integrated during the analysis and the interpretation of results in order for the study to be considered mixed method research. Hence, in this study, integration of data occurred during both analyses and interpretation phase.

According to Creswell & Plano (2011), triangulation is a process of strategically utilizing multiple methods together in order to examine convergence, expansion, and complementarity of qualitative and quantitative data sets. Hence, the qualitative and quantitative data of this study were integrated through triangulation in order to examine the complementarity of the two data sets.

### **3.3 Population, Sample Size and Sampling Method of the Study**

Target population

For this study, the researcher used Census method because the total number of population is small.

### **3.4 Data Source and Data Collection Method**

According to Creswell, (2003), there are many methods of data collection. The choice of a tool and instrument depends mainly on the attributes of the subjects, research topic, problem question, objectives, design, expected data and results. This is because each tool and instrument collects specific data. To this end, the study was used questionnaire, interview, and document analysis techniques to collect both primary and secondary data.

#### **a. Questionnaire**

The questionnaires were containing Likert five scale point ratings. The reason for the selection of questionnaire is that it helps in procuring extensive data at reasonable cost. It can be used economically to collect data form a large number of persons; and to cover wide geographical areas.

#### **b. Interview**

The second data collection technique employed in this research was interview. It was conducted with four purposively selected unit representatives. (Program unit, Plog, Finance unit and Admin and HR unit representative) were participated to acquire in-depth information from those who are in a position to give it.

The reason for the selection of interview was flexible method of gathering information, the nature of questions to be asked and the techniques of questioning can be easily adjusted to suit the circumstances of each case; it gives a firsthand mental perception of facts and opinions which often throw much light on the reliability of answers given to questions. Misunderstanding can be cleared through personal conversation so that the replies given are more accurate & it can be conducted in an informal manner and is often helpful in providing information, which cannot be formally obtained.

Review and analysis of important documents related to the study are reviewed in order to get sufficient data that supports the findings of the study. Hence, secondary data were secured from HR department , HR manual and performance evaluation form which are related to the study and analyzed accordingly

### **3.5 Validity and Reliability**

#### **3.5.1 Validity**

Validity concerns the degree to which a question measures what it was intended to measure. To assure the validity of the study, questionnaires were developed on the basis of previous studies and review of related literature.

In addition, as an attempt to use valid and reliable instrument of data collection, pretests session with ten employees was conducted to see whether the questions are clear and detecting any faults prior to the actual data collection process. To further refines the accuracy of the instrument, necessary adjustment was made based on the invaluable comments of the research advisor and obtained from employees used for pretest.)

#### **3.5.2 Reliability**

Reliability test, before the actual data analysis was made, the study has checked the reliability of the data collection instrument. The reliability among the multiple variables that comprise this study was measured using Cronbach Alpha coefficient generated by statistical SPSS. Cronbach's Alpha is a measure of internal consistency of questions within the questionnaire and checks if the questions of the questionnaire were understood and if the data were reliable for analysis (Travakol&Dennick, 2011)

Table 1 shows the output of Reliability Statistics which has Cronbach's alphacoefficient. Whenever the output results of the Cronbach's Alpha score is over 0.7 it indicates for high internal consistency. In this case, $\alpha=.93$ , which shows the questionnaire is reliable. A reliability analysis was carried out on the perceived task values scale comprising17 items. Cronbach's alpha showed the questionnaire to reach acceptable reliability,  $\alpha=0.93$ .Mostitems appeared to be worthy of retention, resulting decrease in the alpha if deleted. The three exceptions to this were items 6, 7, and 22, which would increase the alpha to  $\alpha=0.94$ . As such, removal of these items should be considered.

**Table 3.5.2 Reliability Analysis of Variables**

Reliability Statistics

<b>Reliability Statistics</b>		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.934	.923	17

Source: Survey Result May, 2018

### **3.6 Data Analysis Method**

In this study, mixing (integration) during data analysis occurred when the quantitative and qualitative strands were mixed during the stage of the research process when the researcher is analyzing the two sets of data. First, the researcher quantitatively analyzed the data from the quantitative strand and qualitatively analyzed the data from the qualitative strand. Then, using an interactive strategy of merging, the researcher explicitly brought the two sets of results together through a combined analysis. (Greene, 2007)

Zohrabi (2013) stated that, in broader sense, the quantitative data are analysed through descriptive statistics and qualitative data by means of descriptive and thematic interpretations. Therefore, if the design is a mixed approach a combination of descriptive and statistical report forms might be rendered. Accordingly, in order to assess the effect/contribution of the existing performance management on employee motivation, descriptive and statistical reports were applied in the data presentation and reports phase of this study.

Since the research approach of this study was a concurrent mixed one with the purpose of 'Complementarity', the researcher merged the two databases by changing qualitative codes or themes into quantitative variables and then combining the two quantitative databases which was a procedure called data transformation. According to (Marquart et,el. 200) as cited in Creswell (2014), in this kind of data analysis method, the researcher takes the qualitative themes or codes and counts them to form quantitative measures from which meta-inference is drawn by integrating the inferences made from the separate quantitative and qualitative data and findings.

SPSS version 20, which is a popular software program, was employed to analyze the ordinal and nominal data. The statistical significance was set at  $p < 0.05$ . The descriptive statistical analysis of the ordinal and nominal data gathered from respondents was analyzed and interpreted by use

of medians and frequencies whereas the inferential statistical analysis was analyzed and interpreted by use of ANOVA multiple regression, both done through use of SPSS version 20.

Multiple regressions examines the effect of the multiple predictors or two independent variable on a single outcome variable in this particular case the independent variables are prerequisite and performance planning, performance assessment and review whereas the dependent variable is employee motivation.

### **3.7 Ethical Considerations**

With regards to ethical considerations, this study paper has considered the below stated ethical issues before, on progress and after the study is conducted. Full consent was obtained from the organization under study and from the employees earlier to the study. A policy of Anonymity of the employee participating in the study was ensured as various confidential data might be accessed by the researcher. Additionally, a statement confirming the prohibition of including any identity details or personal references of the respondents in the questionnaire forms were included.

The use of offensive, discriminatory, or other unacceptable language had been avoided in the formulation of Questionnaire and Interview guides. Moreover, data gathered in the process of the study was kept confidential and was not used for any personnel interest and the whole process of the study was controlled to be within acceptable professional ethics.



## CHAPTER FOUR

### 4 DATA ANALYSIS AND INTERPRETATION

The research has a primary aim of studying the effect /contribution of performance management system on employee motivation in Dan church Aid (DCA). In line with this, the chapter presents the analysis and interpretation of the data gathered from various sources. The analysis and interpretation of data was conducted in order to provide a better understanding of effect / contribution of performance management system on employee motivation. Data was collected through questionnaires, a self-administered interview and Review and analysis of important documents related to the study. With this regards, structured survey questioner was distributed to 91 permanent employees of Dan Church Aid. However, the researcher has received 82 properly filled questionnaires.

$$\text{Rate of return} = (R / (S-ND)) \times 100$$

Where;

R = number of questionnaires that were returned

S = total number of questionnaires sent out, and

ND = number of questionnaires unable to be delivered (“returned to sender”)

$$\text{Rate of return} = 82 / (91-9) \times 100$$

$$\text{Rate of return} \approx 90\%$$

Additionally, a self-administered interview conducted with meddle level managers of each department (finance, program, prolog and Admin & HR units ) related with the existing performance management system and its contribution on the employee motivation had been conducted, where the findings had been analyzed and discussed in thematic narration.

#### 4.1 Background Information of Respondents

The following section presents the analyses of the general characteristics of respondents.

*TABLE 4.1.1 GENDER OF RESPONDENT*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	10	12.2	12.2	12.2
	Male	72	87.8	87.8	100.0
	Total	82	100.0	100.0	

Source: Survey Result, May, 2018

*TABLE 4.1.2 EDUCATIONAL BACK GROUND*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	BA/BSc	39	47.6	47.6	47.6
	MA/MSc	43	52.4	52.4	100.0
	Total	82	100.0	100.0	

Source: Survey Result, May 2018

As shown in the above table, the minimum educational background of respondents participating in this resurvey is 1<sup>st</sup> degree. Consequently, it can be deduced that these respondent are capable of comprehending and interpreting the survey questions and provide concrete answers.

*TABLE 4.1.3 SERVICE YEAR OF RESPONDENT*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than one year	33	40.2	40.2	40.2
	between 1 and 2	17	20.7	20.7	61.0
	between 2 nd 5	16	19.5	19.5	80.5
	between 5 and 10	9	11.0	11.0	91.5
	over 10	7	8.5	8.5	100.0
	Total	82	100.0	100.0	

Source: Survey Result, May 2018

#### **4.2 Respondents' on survey statements**

Various theoretical and empirical literatures cumulatively agree on common phases of performance management process, Fisher et al., (2006, p.421) provided explanation of the process of performance management based on a model that consists of four parts: defining performance, appraisal process, Measuring performance and feedback and coaching, the researcher used the most common and popular performance management process takes six phases, these are: Pre-requisition, Performance Planning, performance exclusion, Performance assessment, performance review and performance renewal and contracting. This is to mean that if a certain performance system encompasses and implements all this aspects efficiently then it said to be a good performance management system. Aguinus, (2009)

In this study, the researcher had divided these six phases in to two broad categories by combining the planning and prerequisite phases in one category and the performance assessment review in the second category. These two categories serves as the independent variables of the study. The researcher has divided each of the questions based on these headings to analyze the effectiveness of the performance management system in resulting with employee motivation. The last and third category of the survey questions deals with the motivational aspect (dependent variable of the study).

#### 4.2.1 Performance Planning and Prerequisite

Table 4.2.1 Descriptive Statistics of Performance Planning and Prerequisite

<b>Performance Planning and Prerequisites (PPP)</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
• Employee clearly understands mission, vision and strategic goals	82	4.27	.589
• Employee clearly know duties & job responsibilities	82	4.23	.836
• Line mgrs & employees jointly identify goals that become standards to evaluate results	82	3.83	.900
• Line mgrs & employees jointly set goals & objectives	82	3.76	1.013
• Line mgr sit with employee to determine & set development goals	82	3.82	.970
Valid N (listwise)	82		

Source: Survey Result, December 2018

From within the for questions related with the pre-requisites of performance phase included in the above table, the first two dealt with employees awareness level regarding the clear know-how of organizations vision, Mission and Value and adequate knowledge of their designated job duties and responsibilities. In this pre-request part of planning phase, paramount number of the respondent's represented by mean value of 4.27 and 4.23 with SD of 0.589 and 0.836 respectively, reflected that they are well aware of the organization, vision, mission as well as their designated job duty and responsibility.

Likewise, (DCA staff manual, 2017) also confirms that every employee of the organization has been provided the induction package in which the organization vision, mission and core value have been discussed in it. The researcher tried to crosscheck whether the things included in the staff manual were applicable or not and found out that in the majority of staff personal files the induction schedule, and probationer period assessment report , which tells detail about what was planned , what was standard for performance achievement (indicators ) field attached with their

employment contract . In addition, the duties and responsibilities are explained in the job description and kept in the employee personal file as an integral part of the employment contract.

Nonetheless, when employees were asked about the existing opportunity where line managers and employees sit together to set desired goals and objective with standards to evaluate results in accordance to their job specifications, their responses is closely related to its neutrality as indicated with mean value of 3.76 with SD of 1.013 and with mean value of 3.83 with SD of 0.900,

The fifth question asks whether line managers sit with their direct reports to determine their development goals in which significant number of staffs agreed with. The mean and standard deviation also support it with values of 3.82 and 0.97 respectively. In relation to this, Armstrong (2006) stated that performance planning is the process of aligning objectives and competence requirements; producing performance agreements and performance improvement; and personal development plans. Similarly, in analyzing related documents, the researcher observed that summary of annul development plan report was submitted to the senior management of DCA for the purpose of annual budget allocation. Thus, the researcher found out the employees' development to be a major concern for the DCA managements.

#### **4.2.2 Performance assessment, review and evaluation process**

It is stated in literature that performance assessment and review are major part of performance management phase in which supervisors and employees get necessary update and revise initial performance objective and goal through measuring performance. This stage of performance management process gives information how it is on the right track with the desired level of result. In addition, the performance review requires a formal setting where both parties (the employee and supervisor) meet face to face to discuss their respective self-assessment made in the performance assessment phase of the performance management process. This phase covers achievements, growth and difficulties requiring revision upon performance agreement and personal development plan. This section has five questions as can be seen from the table below.

**TABLE 4.2.2 PERFORMANCE ASSESSMENT  
Descriptive Statistics**

<b>Performance assessment and Review (PAR)</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
<ul style="list-style-type: none"> <li>• Employee involved in performance mgt process and opinions valued.</li> </ul>	82	3.21	.991
<ul style="list-style-type: none"> <li>• Employee's performance is regularly measured before the performance appraisal period</li> </ul>	82	3.13	1.086
<ul style="list-style-type: none"> <li>• Employees weaknesses are regularly supported &amp; coached by supervisors</li> </ul>	82	3.35	.921
<ul style="list-style-type: none"> <li>• Performance review form addresses key areas of employee's work &amp; shows actual performance</li> </ul>	82	3.23	1.132
<ul style="list-style-type: none"> <li>• Supervisor writes comments on employee's strength, weakness &amp; suggests improvements on performance review</li> </ul>	82	3.44	.983
Valid N (listwise)	82		

The first question is about the information of whether the employee takes ownership of his/her performance assessment process, the responses with value of 3.21 mean and 0.991 respectively indicate that greater majority of them were involved in the process. In line to this, literatures emphasize that performance assessment phase is the stage where both parties (employee and supervisor) should assume their part regarding the evaluation of whether performance (result) is on the right track with the desired level of behavior.

It is important that both the employee and the manager take ownership of the assessment process. The reason is that first, it provides good information to be used in the review phase since both parties had a say in the matter Aguinus, (2009). Secondly, question that asks whether their performance is measured on regular basis before the appraisal meeting is conducted respondents represented by mean value of 3.13 and 1.086 confirm that, that their performance were measured on regular base before performance review conducted. Still it shows their neutrality on this concern. Research shows that many companies are guilty of treating

performance management as a yearly event. However, those organizations with an ongoing focus on performance management have better business results. In order to build an empowered and skilled workforce, companies need do more than just auditing their employees' achievements. Organization should work towards a management cycle where judgment isn't the sole focus ongoing support and improvement should be just as important, if not more. Companies where employees revise or review their goals quarterly or more frequently are more successful. Pucket, J (April 20 , 2015) The importance of performance mangement system, retrieved from URL.

The third question is also related with the above by which the researcher tried to identify whether supervisors properly support and coach their subordinator in the area of weaknesses identified, significant amount of respondents with values of 3.35 mean and 0.921 respectively were in agreement.

The last two consecutive questions dealt with whether the performance review phase of the performance management processes has been implemented in a proper way or not, their response represented by mean value of 3.44 and SD 0.132 confirm that performance review form addresses key areas of employee's work and shows actual performance, this results shows that significant number of respondents were in agreement. Nevertheless, the researcher had found out from the results of the interview that the responses of the greater majority of interviewees were in disagreement on the issue that the form shows actual performance during the interview. This indicates that there exists a discrepancy among the quantitative and qualitative results of this specific question.

Furthermore, during review of related documents, the researcher found out that, Linkage of the EDR/appraisal form with employee JD is not very clear and the practice of linking JD to EDR is highly varied form manager to managers on the issue. Whereas, according to Aguinis (2009), the review /EDR form should be sufficiently descriptive that an outside party (e.g., supervisor's supervisor or HR department) has a clear understanding of the performance information conveyed.

The question regarding whether LM write employees' strength, weakness and suggests for improvements during performance reviews showed a mean value 3.21 and SD value of 0.983, indicating the fact that the slightly greater half of respondents were in agreement. Likewise, during review of related document, the researcher found that in last year performance evaluation

form there is a section in which managers state overall, how the previous year was? Have any special issues influenced the performance? What was done and how to continue or change; their strength and weakness were clearly stated and both manager and employee had agreed and signed on the form.

### 4.2.3 Employee Motivation

This section has five questions with which the researcher tried to determine employee's level of motivation as explained by the mean values. The questions was about whether they enjoy the satisfaction of completing a difficult task; feeling satisfied with the recognition they receive; whether they received performance based pay; the performance appraisal used to develop employee and whether the performance feedback they received helped them for fattening their goals. The questionnaires results have been analysed by use of SPSS 20, where descriptive statistical measures of central tendencies were figured.

**TABLE 4.2.3 EMPLOYEE MOTIVATION  
Descriptive Statistics**

<b>Employee Motivation (EM)</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
• Employees get satisfied by accomplishing difficult task	82	3.33	1.176
• Company uses performance based pay to motivate employees	82	3.53	1.158
• Employee satisfied with recognition received for work	82	3.43	1.158
• DCA performance appraisal is used to develop employee's knowledge, skill & efficiency	82	3.71	1.169
• Performance feedback received is useful in improving job performance & goal attainment	82	3.40	.914
Valid N (listwise)	82		



We can see from the result that a majority of respondents responded in agreement to all of the above points. The first question deals with if they enjoy the satisfaction of completing a difficult task. The majority staff resulted in a mean of 3.33 were in agreement but standard deviations doesn't support the result as it is with the value of 1.176 it shades limitation on the mean value to accept that the majority is in agreement on the issue.

Goal theory as developed by Latham and Locke (1979) states that motivation enhanced when individuals are set specific goals, when goals are challenging. As per this theory challenging work can be a great motivator, as it can keep employees engaged and interested in their role. And for many people, having to overcome some level of difficulty in their work is much preferable than to the boredom of an easy, unchallenging job. Similarly the literature done in Gana concerning examining the role of motivation in employees performance, the study found out that hard work was their preferred form of motivation to elicit the desired outcome. It is not in line with the researcher finding.

The next pair of questions deals with whether the company uses performance based pay to motivate employees and if they are satisfied with the recognition they receive for their accomplishment. The results show that majority of staff resulted in 3.34 mean value agree that the company uses performance based pay to motivate employees. As per the literature, unless the superior performance translated into meaningful tangible reward like pay increase motivation be lowered Aginius (2009).

Additionally, Armstrong and Mullis (2007) note that contingent pay schemes can create more dissatisfaction in an organization if employees perceive them as badly managed, inadequate and unfair. Contingent pay schemes rely on the judgment of managers in the absence of reliable and accurate methods of measuring employee performance and competences. Therefore, they can be biased and inconsistent thereby de-motivating employees.

However, during review of related documents, the researcher found out that, if the employee has performed satisfactorily he/she will normally be moved to the next salary level within the category based on the assessment made by the respective line manager / supervisor during annual employee performance review/ EDR.

Besides, during the interview with purposely selected nine interviewee , the researcher found out that majority of group members were dissatisfied by performance rating section of the

appraisal form the position key responsibility or task is not sufficiently stated instead it refers lists of professional and social competencies the same for all position.

Question deals with whether the employee satisfied with the recognition they receive for their accomplishment, the majority staff resulted in a mean of 3.53 agreed. According to Malslow's Hierarchy of Needs theory, an employee who is trying to satisfy his esteem needs may be motivated when his/her supervisor praises him/her. Likewise, Armstrong stated that an employee who is trying to satisfy his/her social needs may resent being praised by upper management in front of peers if the praise sets him/her apart from the rest of the group, (Armstrong, 2009). Aforementioned concerted have support the result of this analyses.

In the fourth question, the idea whether the PA in DCA is used to develop employee knowledge, skill and efficiency was entertained. The majority of respondents represented in mean of 3.71 agreed. This result is supported by related literature according to M. Armstrong & Baron, (1998) performance management should focus on developing performance, rather than just measuring performance. Training and development programs, in order to motivate staff to high performance, the new knowledge and skills learned during training is applied on the job it motivates the employee for better performance.

Regarding the fifth question which deals with whether, the performance feedback they received was helpful in improving their 'on the job performance and attainment of their goals', the results show that majority of staffs are motivated by the feedback they received and that it was help full for their goal attainment as reflected by the mean value of 3.40. According to Herzberg's two-factor theory, feedback is one of the factors that contribute to employee motivation. Moreover, receiving feedback about one's performance increases the motivation for future performance. In accordance with Aguinis (2009), the result shown in the table is supported by the theoretical literature aforesaid. Opposing this idea, during the interview the researcher tried to asses to what extent the PMS help employee to see the performance gap /pinpoint the performance deficiency in advanced time to make the necessary amendments accordingly. In this regards, the majority of respondents (55.6%) of the total population responded that, the organization PMS does not assist to identify performance Gap /deficiency in ahead of time. In this regards, the qualitative analysis result is found to be in contradictory with the qualitative result.

#### 4.2.4 Correlation

The Pearson's Product Moment Correlation Coefficient ( $r$ ) is used to measure the degree of association between the independent variable, i.e. planning process and Performance Assessment and Review and the dependent variable that Employees' Motivation. Coetzee (2003) states the association of such variables takes a value between  $-1$  and  $1$ . A value of  $r$  near to  $1$  indicates strong positive association whereas a value of  $r$  near to  $-1$  indicates a strong negative linear association, When  $r = \pm 1$  this indicates that the two variables are perfectly correlated, i.e., all the points are on a straight line. When the correlation is  $1$  or  $-1$ , a perfectly linear positive or negative relationship exists; when the correlation is  $0$ , there is no relationship between the two sets of data. When considering the correlation between the independent variable and the dependent variable, the larger the magnitude of the correlation, the stronger the linear association (Ibid). The standard correlation coefficient is (Pearson's  $r$ ) which applies primarily to variables distributed more or less along interval or ratio scales of measurement.

General guidelines, correlations of  $.01$  to  $.30$  are considered small, correlations of  $.31$  to  $.70$  are considered moderate, correlations of  $.71$  to  $.90$  are considered large, and correlations of  $.91$  to  $1.00$  are considered very large (Marczyk et.al. 2005). Depending on this assumption, all basic constructs were included into the correlation analysis. All relationships between the dependent and independent variables are positively and significantly correlated. Table ----- represents the correlation matrix between the independent variables, performance planning process and Assessment and Review, and the dependent variables (Employee motivation). All relationships between the dependent and independent variables are positively and significantly correlated. From the analysis, it is observed that Motivation has correlation with each of the independent variables ranging from  $0.702$  to  $0.763$  all significant at  $p < 0.01$  level.

Table 4.2.4: Correlations

		Performance Planning and process	performance review and Assessment	Employees Motivation
<b>Performance Planning and process</b>	Pearson Correlation (r)	1	.734**	.702**
	Sig. (2-tailed)		.000	.000
<b>performance review and Assessment</b>	Pearson Correlation (r)	.734**	1	.763**
	Sig. (2-tailed)	.000		.000
<b>Employees Motivation</b>	Pearson Correlation (r)	.702**	.763**	1
	Sig. (2-tailed)	.000	.000	

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### 4.2.5 Regression

Regression is a measure of association between two quantitative variables. This form of statistical test is only possible with interval or ratio data (www.SPSS for Psychologists, accessed on March 5, 2015). It allows us to make statements about how well one or more independent variables will predict the value of a dependent variable. Table 4.2.1 below shows the regression analysis of the effect of performance management on employee motivation. Table below clearly shows the value of R and R<sup>2</sup>. In this analysis, the value of R is 0.791 which is a measure of the correlation between the observed value and the predicted value of the dependent variable (employees' motivation). Whereas R Square (R<sup>2</sup>) is the square of this measure of correlation and indicates the proportion of the variance of employee motivation with the existence of the performance management variables.

TABLE 4.2.5 REGRESSION MODEL SUMMARY

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of	Change Statistics				
					R	F	df1	df2	Sig. F
1	.791 <sup>a</sup>	.625	.616	.660	.625	65.892	2	79	.000

a. Predictors: (Constant), performance review and Assessment, Performance Planning and process

R Square = 0.625 implies that only 62.5% of employees' motivation is explained by factors of performance management system. This implies that 62.5% of the variance in the dependent variable is explained by the independent variables in the model. The model also indicates that, the remaining 37.5% of the variance can be explained by other variables out of this model and indicates that further research might be needed for this. The F-ratio describes whether the results of the regression model could have occurred by chance. Large F value and a small significance level (typically smaller than 0.05 or 0.01) indicate that the results probably are not due to random chance. Accordingly, as can be seen from the table below the F value 65.892 and is significant at 0.000. Hence, the researcher can confidently say that the regression model adopted in this study has not occurred by chance and is considered highly significant.

4.2.6 COEFFICIENTS  
 TABLE 4.2.6 COEFFICIENTS

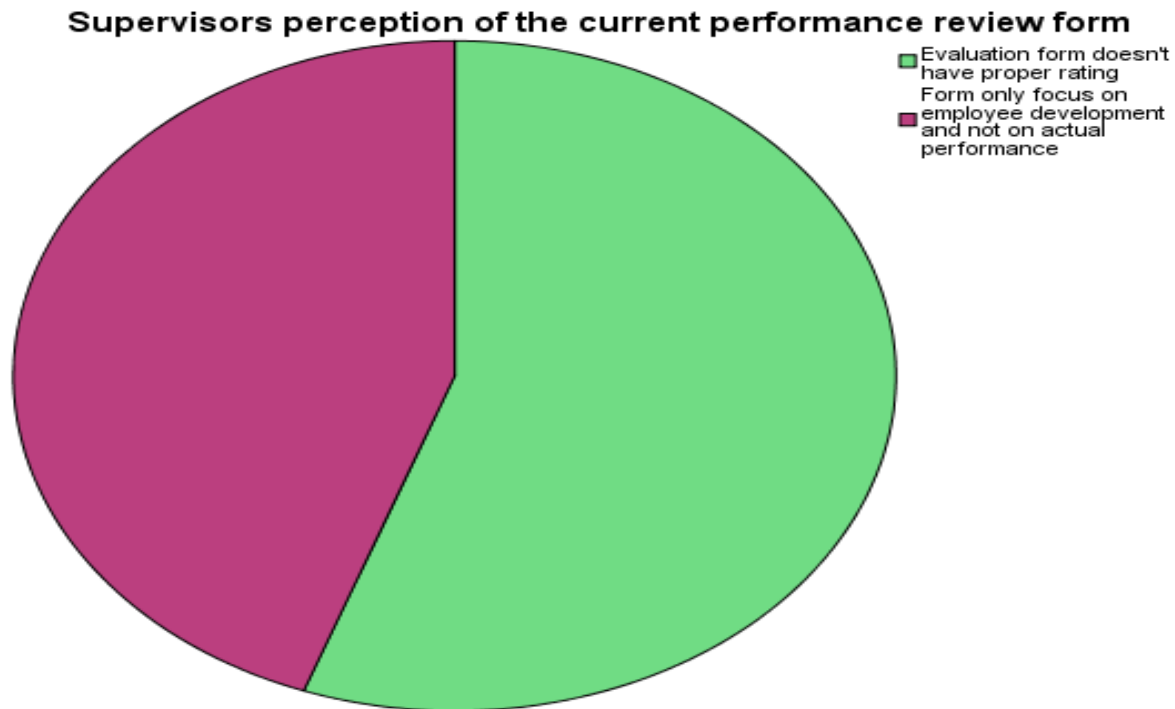
**Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	1.180	.215		5.487	.000	.752	1.608		
	Performance Planning and process	.275	.091	.307	3.027	.003	.094	.457	.461	2.170
	performance review and Assessment	.393	.074	.537	5.294	.000	.245	.540	.461	2.170
a. Dependent Variable: Employees Motivation										

**4.3 Interview analysis**

Through use of related interview questionnaires, the researcher has conducted an interview with nine purposively selected key informants to see the contribution of performance management system on employees' motivation. The results and discussions of these assessments is as follow.

*FIGURE 4.3.1 SUPERVISOR'S PERCEPTION OF THE CURRENT PERFORMANCE REVIEW FORM*

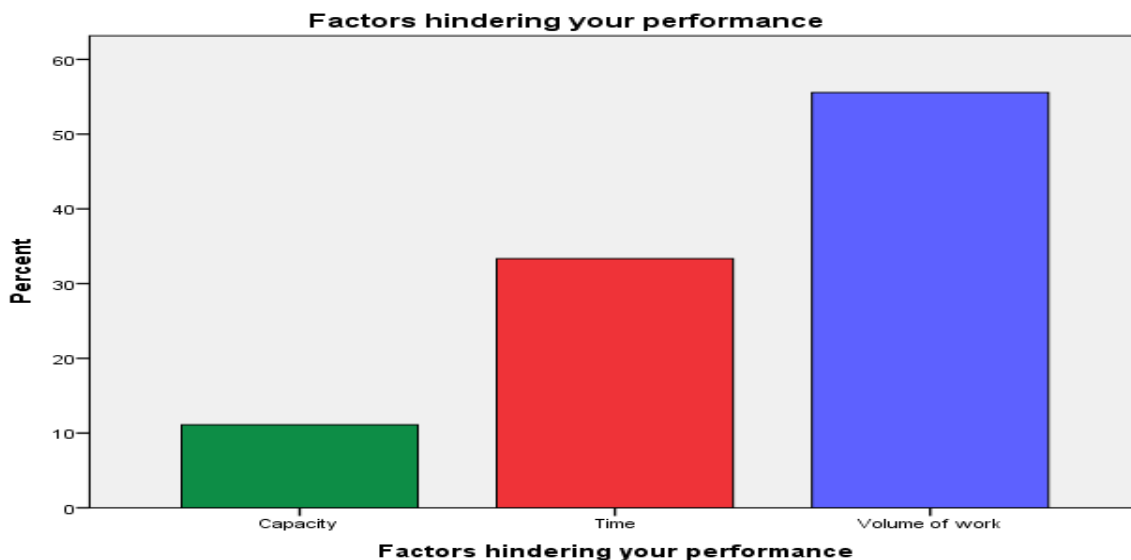


As we can see from the above chart, majority of respondents (55.6%) found the existing performance review form not comprising of proper and adequate ratings that will enable the proper rating of employees' performance. Additionally, significant number of respondents (44.4 %) of respondents perceive that the performance appraisal forms does not show the actual performance of employees', rather it focuses more on employee development. Besides, during review of related documents, the researcher had looked at the existing appraisal form and found out that, the linkage of the employee development review (EDR) form with employees' Job description (JD) is not very clear. In addition, the practice of linking JD to EDR varies from manager to manager. The appraisal form is "An important component of the performance assessment stage is the use of appraisal forms. These forms are instruments used to document and evaluate performance" (Aguinis, 2013, 3rd ed, pp 131). This implies that as performance evaluation form is a basic tool for evaluate employee performance so that the major tasks of the employee which extracted from the job description should be clearly stated in the evaluation form regardless of the level and type of job /position.

Besides, the form rates the performance as ‘good’, ‘need improvement’ and ‘excellent’ without clear definitions of each of the scores and how a final score is determined. It is not sufficiently descriptive according to literatures studies by the researcher. Aguinis (2009) state that good forms require that the raters provide evidence of performance regardless of the performance level, the evidence may be in numerical forms or wordings indicating the exact extent of an employees performance during the appraisal period. Taking this fact in to consideration the existing appraisal /EDR form of DCA is found to be in sufficing the provision of evidence of rating. In the meantime the EDR result is linked with performance

According to the empirical study of Abdulkadir, Isiaka & Adedoyin, (2012, p.124), the success, survival and competing power of organisations depend on the commitment of their members, and this may, to a large extent, depend on how satisfied the employees are in respect of the organisation’s appraisal mechanism. Hence, the lack of educate performance rate in the existing form of DCA creates dissatisfaction in the employees which intern leads to demotivation. Moreover, a study on performance appraisal practice of an NGO in Bangladeshi with the aim to explore and assess the existing performance appraisal practices, examined the characteristics, elements, assessment approach and methods of performance appraisal and appraisal interview. The research findings revealed that poorly done performance appraisal could lead to demotivation. Thus, it is important to ensure the effectiveness of performance appraisal system.

Figure 4.3.2 Factors hindering employee performance



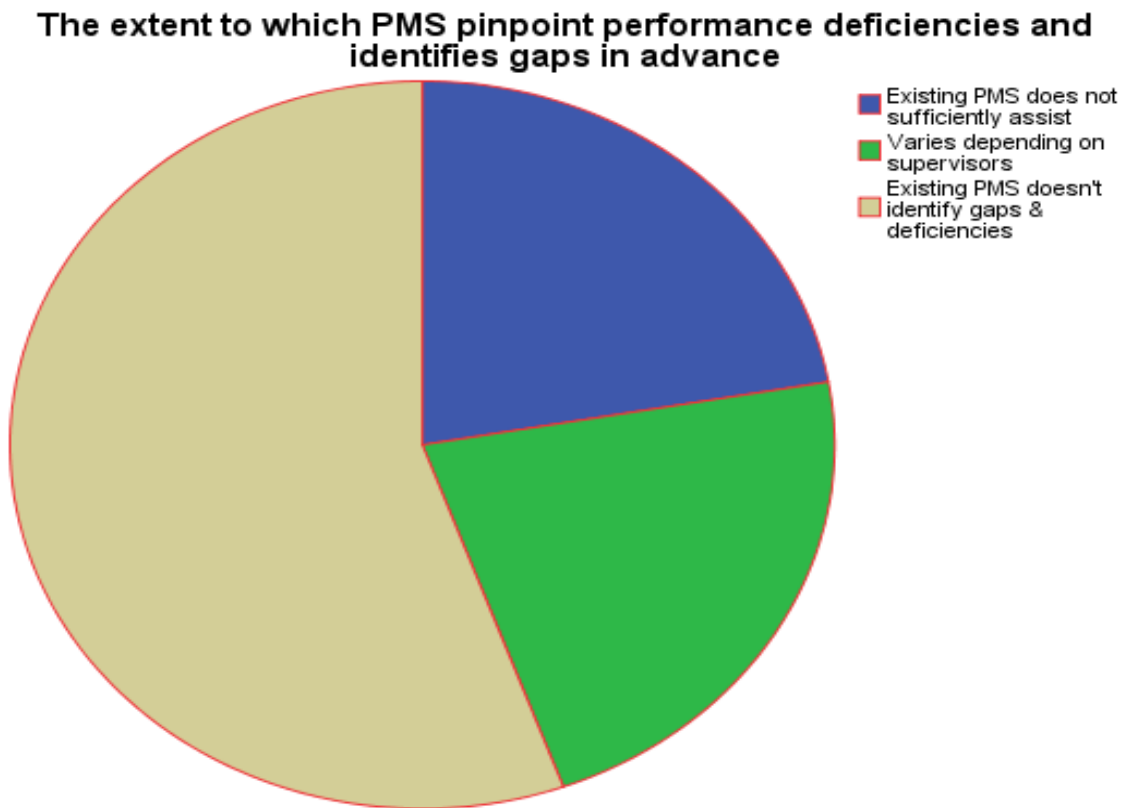
Although the majority of staffs agree that line managers (LM) sit with them to set performance goal and objective as well as measurement standard; the set goals lack clarity on whether or not it can be achieved given the expertise and allotted time frame. Aguinus (2009) indicates that performance standards should provide information about acceptable and unacceptable tasks to be performance in terms of quality, quantity, cost, and time. In this regards, the volume of work shouldn't be the factor for hindering employees performance. Throughout the interview, the majority of respondents were pointing out that, DCA has undergone intensive organizational change following the significant expansion of its programme in terms of scale, type and geographical coverage and shift from partnership to more of direct or co-implementation. In response to the change, the employees are struggling to bear the on-going change they are compromising their work life balance and the quality of the result. As reported by Kehl (2012) in industry Week Magazine, work life balance is rank as number one while compensation falls into rank two. Some more, an employee who feel have a good work life balance is considered to work or put effort 21% harder compared to employees who are doing more work without any balanced work life balance.

Setting demanding deadlines can work, but only if they're realistic. Think about what sort of tasks are involved in completing a project and discuss with employees how soon they could get it all done, without compromising on quality of work. The task must still be possible otherwise it could actually demotivate rather than inspire people (Ibd).

Nonetheless, the above chart result shows that a paramount number of interviewee agrees that the volume of work and the allocated time frame for their job are the factors hindering their performances respectively. The negative effect of UN acceptable volume of work is not observed in the quantitative study of this research, the contrary is found to be true in that perspective which in turn indicates discrepancy among the findings two results. (Qualitative and quantitative).



**FIGURE 4.3.3 THE EXTENT TO WHICH PMS PINPOINT PERFORMANCE DEFICIENCIES AND IDENTIFIES GAPS IN ADVANCE**

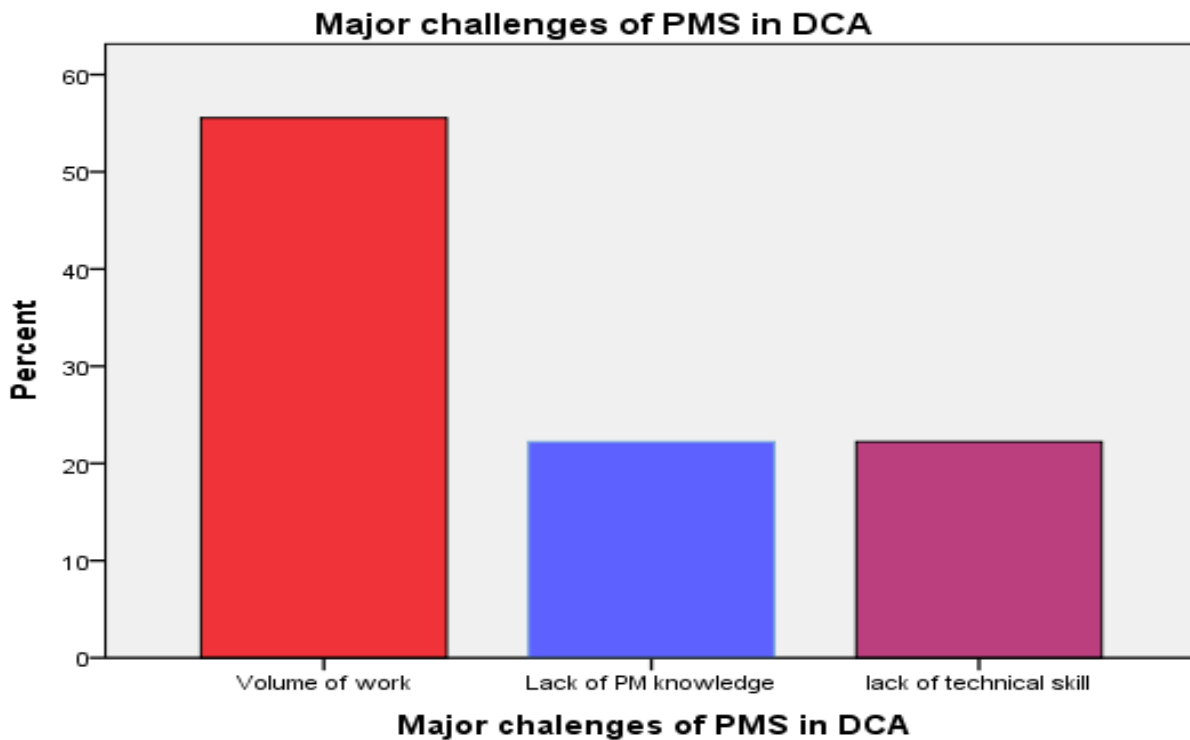


In the above interview section, the researcher tried to assess to what extent the PMS help employee to see the performance gap /pinpoint the performance deficiency in advanced time to make the necessary amendments accordingly. In this regards, the majority of respondents (55.6%) of the total population responded that, the organisation PMS does not assist to identify performance Gap /deficiency in ahead of time. As the organization doesn't have a system that can identify how managers are managing the employee performance except requiring yearly employee development review form ( EDR ) report.

22.2% of respondents said the PMS doesn't sufficiently assist. There are only two tools (probation period performance assessment and annual performance development review) and no other regular (weekly and monthly) meeting within the unit. Further more, the remaining respondents responded that performance planning , assessment and review process management is generally varies the level of the managers knowledge of performance management skill.

According to Aguinis, it is supervisor’s responsibility to observe and document performance on a daily basis to keep track of good and poor performers. And performance management is a continuous process of identifying, measuring, and developing the performance of individuals Aguinis (2009). As per the survey finding, that organizations with an ongoing focus on performance management have better business results with employee motivation for higher performance. The result supports that companies where employees revise or review their goals quarterly or more frequently are more successful and motivated for higher performance. Pucket,J (April 20 2015) The importance of permormance managment syste, retrieved from URL.

**Figure 4.3.4 Major challenges of PMS in DCA**



More than half of the total respondents (56.5 %) perceive the unacceptable volume of work as a major challenge of performing/scoring throughout their performance execution process. They stated that managers do not have enough time to assess their subordinate how well a given job is done due to time constraints on their part at the same time their supervisors also didn't get time to take enough time to give ongoing feedback and coaching. As the same concern was reflected when during the discussion regarding the factors hindering performance, the researcher

found out that even if the quantitative result of this study shows that the performance assessment review part of PM process done well the area had critical problem.

The other 22.2 % of respondents commented that there are new managers who do not poses good enough knowledge of performance management and related skills. The remaining same number of respondent commented that their manager's deficiency of technical skill is affecting their motivation level. Nonetheless, even if the number of respondents were not significant as compare to those who considers the unacceptable volume of work as major challenge, (they are only 2 of the 9 interviewee), these individual were the finance unit representative. Hence, the researcher considered this problem as specific to finance unit and incited to further investigate the problem by interviewing four additional finance officers from four field offices.

Their response stated below:

Field office's finance officers are directly reporting to the field office Coordinators. There seems to exist huge misunderstanding among them during the performance appraisal time. Some rewarding performance in the perspective of finance is considered as poor performances in the program aspect. For example, requesting proper supporting document for purchase considered as creating delay on program implementation. Following the proper procedure of payment settlement might irritate the program people considering the finance staff as obstacle for program implementation. Due to this misunderstanding, the supervisors (field office coordinators) submit biased performance assessment report. Previous research has revealed that appraises are more satisfied with receiving feedback and are more likely to accept it when they perceive that feedback came from a knowledgeable supervisee in terms of task skill, know-how and expertise (Klien, *et al.*, 1971). Landy, *et al.* (1978) and Fulk, *et al.* (1985) reported that subordinates who perceived their supervisors to be knowledgeable of their jobs and performance felt their performance was evaluated accurately more than subordinates who perceived their supervisor as less knowledgeable. Due to this fact the relationship between appraiser and appraise, as well as credibility of the appraiser, reflects the accuracy of the individual's appraisal results. The fact that, the finance team is being appraised by a less knowledgeable supervisee (in terms of technical skill aspects of finance procedure) the researcher found out that this fact leads all finance officers in to demotivation.

## **CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

### **5.1 Summary of Major Findings**

This chapter will summarize the major findings of the data analysis, give conclusion and make recommendation.

The purpose of this study aimed at finding the effect of performance management on employee motivation. In this regards, an attempt has been made to divide performance management process into its key factors which are planning and pre-request, assessment, and review. The questionnaire was developed in such a way that all this factors were included and also incorporating questions that asked about employee motivation. Total population under study was 91, since the number of total population was small, researcher studied the entire population. Out of the 91 questionnaires that were distributed, 82 fully completed questionnaires were collected which gave 90% response rate. The following are the major findings with regards to the performance management system of the organization and conclusion and recommendation also attached with it. In order to get clarity, the researcher has divided the findings and conclusion below under each of their headlines as put in the questionnaires, and attached recommendations accordingly.

Consequently, in order to address the research problem, the study focused on answering the below major research questions.

1. What does the current Performance Management system look like and how is it implemented?
2. What is the effect of the existing performance management system on the organizations employees with regards to increasing their motivation?

Descriptive statistical analysis was carried out along with narrative description in attempting to answer the research questions of this study. The targeted sample size were 91, out of which only 82 fully completed respondents were obtained, hence 90% of response rates were included in the data analysis of the study. Moreover, interview was conducted with nine purposively selected informants. The data collected from the questionnaire were analyzed by SPSS version 20 whereas the interview results had been discussed in narration.

## Major Findings:

- 62.5% of the variance in the dependent variable is explained by the independent variables in the model; implying that performance planning & pre-requisite, assessment and review has positive effect on employee's motivation.
- Paramount number of the respondents are well aware of the organization, vision, mission as well as their designated job duty and responsibility.
- The organization PMS does not assist in identifying performance Gap /deficiency at ahead of time.
- Significant number of employees are struggling to bear the on –going change which imply that they are compromising their work life balance.
- Project managers, those who manage the field office finance team, reveal deficiency of technical skill on finance.
- The evaluation form doesn't have proper rating. It focuses on employee development solely.
- In the absence of proper rating in the performance evaluation form, the result is being linked with annual salary increment.
- The evaluation form is not user friendly and words are ambiguous, which leads to subjectivity and not sufficiently descriptive as per literatures state.

## 5.2 Conclusion

Based on the above findings the conclusions drawn are as follows;

- The result of the correlation has revealed that there is a positive relationship between performance management system and employees motivation.
- By improving performance planning and pre-request, assessment and review process (PMS) the origination can improve employees motivation b 62. 5 %.
- The study concluded that the existing prerequisite and performance-planning phase are being implemented as it should be.
- The organization PMS does not aid in identifying performance Gap /deficiency at ahead of time.

- Field offices finance staff are demotivated due to the fact that their performance is not being evaluated with technically capable supervisors.
- There exists difficulty in determining whether the existing evaluation form is more related to employee development or if it is really related to performance appraisal amongst the employees.
- The evaluation form is not user-friendly. Words are ambiguous and cause misunderstanding for various types of employees.

### **5.3 Recommendations**

Based on the finding and conclusions the researcher recommends the following which will be helpful for the organization.

- The researcher recommends the organization should maintain the existing good work related to performance pre-request and planning phase of the performance management process.
- The researcher recommends the organization to put in place best PMS platform where the performance assessment and review process can be properly implemented.
- The top managers should make all efforts to ensure that the whole performance management process is transparent by involving employees.
- The company should establish performance standards for each job levels and conduct a timely and continuous performance review based on those standards to avoid work-life imbalance.
- All LMs should ensure that they have given timely feedbacks for their subordinate which indicates their achievements, strengths and weakness to identify performance gap a head of time.
- Field office finance team performance evaluation form should incorporate the input of their technical managers at head office level.
- The researcher recommended SMT to clarify whether the existing form is employee development review or performance appraisal form.
  - If it considered as development review form, it could be as it is without linking it with salary increase.

- If the decision is in favor of appraisal form, the form should be changed to show more behavior and result oriented aspects of performance and it should have proper rating.
- The top managers should revise the evaluation form by involving employees.

#### **5.4 Areas for further researcher**

The study is designed to explore the effect of performance management on employee motivation in case of Dan Church Aid. Further it can be extended to explore the impact on other variables as organizational commitment and turnover intention. Even if NGO sector is focused in this study, further research can be extended to study more NGOs in Ethiopia. Other data collection tools like focus group discussion could be used for further study. As this research was mainly focused on the employee performance management, further it can be extended to explore the organizational performance and team performance. Further research needs to also be conducted on the company's policies and strategies for its temporary employees, as they are not covered in the performance management process.

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## APPENDIX I- QUESTIONNAIRES

### ST. MARY'S UNIVERSITY

#### SCHOOL OF BUSINESS, MASTER OF HUMAN RESOURCE MANAGEMENT

#### Dear Respondents,

Dear Respondents, I am a postgraduate student at St. Mary's University and employee of Dan Church Aid. This questionnaire is prepared to collected data for a thesis in entitled "The Effect of Performance Management System on Employees' Motivation: The case of Dan Church Aid" in partial fulfillment of the requirement for MA in Human Resource Management. The questionnaire is designed to collect the necessary data for such study. I am kindly requesting you to respond for the given questions based on the experience you have while working in this organization. Your responses shall be handled in strictly confidential manner except using them for the analysis to finalize the study. Thank you in advance for your great assistance and cooperation!

Konjit Janka (Email: [lewawit@gmail.com](mailto:lewawit@gmail.com)) Tel. +251 913 201932

#### I. Questions on background of the respondent

1. Sex/Gender of the respondent. Kindly put 'X' in the appropriate box.

Male  Female

2. What is the level your education?

Diploma  BA/BSc  MA/MSc  PHD

3. How long have you been serving this organization?

Less than One Year  Between 1 and 2 years  Between 2 and 5 years  Between 5 and 10 years  More than 10 years

4. What is the level of your current position in DCA?

Clerical  Non Clerical  Middle Level Management  Top Level Management

## II. Questions related to Performance planning and prerequisite process

This questionnaire is prepared based on a five point Likert scale. Please indicate to what extents do you agree or disagree with the following statements. If the statement strongly matches with your response, choose **5(Strongly Agree)**, if you discreetly agree on the idea, choose **4(Agree)**, if you do not have any response on the point, choose **3 (Neutral)**, if you discreetly disagree with the statement, choose **2 (Disagree)** and if you completely differ with the statement, choose **1 (Strongly Disagree)**.

Survey Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I clearly know/understand the Dan church Aid vision, mission and strategic goals.					
I clearly know my duties and job responsibilities.					
The line manager and employees jointly identify goals that, become standards in which employees will evaluate result					
The line manager and employee jointly set job goals / objectives					
My line manager sits with me to determine and set my development goals.					

### III. Questions related to performance review and assessment process

Survey Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I am highly involved in the performance management process and my opinions are valued					
My performance is measured on regular basis before the performance appraisal/review meeting is conducted					
I am regularly supported and coached by my supervisor on areas of weakness identified					
"My supervisor writes statements about my strengths, weakness & suggests for improvements during performance reviews."					
Appraisal/review meeting is conducted."					
"The performance review form properly addresses key areas of my work and it shows my actual performance"					

### IV. Questions related to Motivation.

Survey Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I enjoy the satisfaction of completing a difficult task.					
The company uses performance based pay (such as bonus and incentives) to motivate employees					
I am satisfied with the recognition I receive					

for my accomplishment					
DCA Performance appraisal is used to develop employee's knowledge, skill & efficiency					
"The performance feedback I receive is helpful in improving my on the job performance and in attaining my goals.					

## APPENDIX II- INTERVIEW QUESTIONS

1. From the following factors, which one is hindering your performance?
  - a. Capacity
  - B. Time
  - C. Volume of work
2. What do you assess about performance PMS system of DCA?
3. To what extent does the PMS pinpoint performance deficiencies and gaps a head of time
4. What do you think are the major challenges of the performance management system in DCA?
5. Any other comments you would like to make in relation to performance management system of DCA?