



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

**THE EFFECT OF PERFORMANCE MANAGEMENT SYSTEM  
ON EMPLOYEES PERFORMANCE: THE CASE OF AWASH  
BANK S.C**

**By: ABRAHAM ASSEFA**

**JUNE, 2021**

**ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY COLLEGE, SCHOOL OF  
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## DECLARATION

I, the undersigned declare that this thesis is my original work, prepared under the guidance of **Assistant Professor Tiruneh Legesse**. All sources of materials used for the thesis have been duly acknowledge. I further confirm that the thesis has not been submitted either part or in full to any other higher learning institutions for the purpose of earing any degree.

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St. Mary's University, Addis Ababa

July, 2021

## Statement of Certification

This is to certify that this study paper titled " **THE EFFECT OF PERFORMANCE MANAGEMENT SYSTEM ON EMPLOYEES PERFORMANCE: THE CASE OF AWASH BANK S.C** ", undertaken by **Abraham Assefa** for the partial fulfillment of Master of Business Administration from St. Mary's University College is an original work and fit for partial fulfillment for Masters of Business Administration Degree in Human Resource Management.

Asst.Prof. Tiruneh Legesse

Research advisor

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Date

St. Mary's University College, Addis Ababa July, 2021

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## ACRONYMS

PA	-----	Performance Appraisal
PF	-----	Performance Feedback
PMS	-----	Performance Management System
IFB	-----	Interest Free Banking
BSC	-----	Balance Score Card
MBO	-----	Management by Objectives
HR	-----	Human Resource

## ABSTRACT

*The main objective of the study is to identify the effect of performance management system on employee performance in Awash Bank S.C. It also tries to understand effects of planning, feedback, and reward on employee's performance and answering the most important question, perception of employees on the performance management system. The study was done based on primary data sources gathered from questionnaires distributed to selected branch workers of Awash Bank S.C. they are selected considering the experience in PMS and representative of the four grades of the bank's branches. During the research process, the population of study comprises selective 20 branches and Head Offices staffs (Awash Bank S.C). A self-administered structured questionnaire was designed to collect the relevant information from the respondents. In course of investigation, instrument used were structured questionnaire distributed to 400 respondents of Branch Managers, BDM (Business Development Manager) Operational Manger, Customer Service Manager, Relationship Officer and Portfolio/credit analysts of which 356 were retrieved. Descriptive research methods were followed and correlation coefficient in the form of frequency and percentage was used to investigate the relationship between all variables of the study. The findings concluded that a revised performance management system should close the missing gaps and have a stronger emphasis on proper communication, managing, monitoring and reporting, as well as rewarding or correcting high or low performance respectively. The study recommends that Awash Bank should make the employees to participate on the Planning stage of the PMS and a frequent feedback is necessary to enable the employees be aware of what exactly is expected from them.*

**Key Words:** *Performance Management, Performance Appraisal, Employee Performance, Feedback, Performance Management Practice and Reward system*

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Performance Management System (PMS) is defined as, strategic and integrated approach of conveying continued success to institutions by developing the people in a way that improves group and personal performance (Armstrong & Baron, 1998). Being the most important aspect performance management system is failing to deliver the expected result. An increasing number of profit and non-profit organization are turning towards PMS for their organizations in order to achieve better results and better psychosomatic outputs (Gupta & Upadhyay, 2012).

In performance measurement, periodically, staff performance is appraised. Performance appraisal is a formal, structured system of measuring and evaluating an employee's job, related behavior and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organization, and society all benefit. It is a formal system of periodic review and evaluation of an individual's job performance by immediate supervisor. It also involves communicating to an employee how he or she is performing the job.

The following are some of the uses of performance appraisals:

- To create and maintain a satisfactory level of performance;
- To identify employees' needs for training and thus contribute to their growth and development;
- To facilitate fair and equitable compensations based on performance;
- To provide essential data for assessing employees' potential for promotion and also for making administrative decision relating to salary increment, terminations, demotions, etc;

The Ethiopian banking sector have immense potential as can be evidenced from the existing private and government banks profit growth plus the upcoming of several conventional and IFB( Interest Free Banking) banks to join on the sector . Considering this legitimate facts, the existing banks including Awash Bank S.C (The leading and pioneer private bank under the study) should evaluate their employee's performance with a state of the art new plat forms to cope up and to stand in equal footing within the sector.

Performance management system is considered to be one of the strongest tools for developing human asset as it lays the foundation for training, promotion, career planning and competency mapping etc. (Gupta& Upadhyayn, 2012).

The purpose of performance measurement is to assist making decisions and to understand progress towards meeting the outcomes of the Strategic and Action Plans. It is concerned with the ongoing monitoring and reporting of a progress towards reaching organizational goals. It is made up of an internal system that collects, organizes and reports on workflows, outputs and outcomes. To help in encouraging performance among employees, result of performance appraisal is communicated to indicate how they're doing and feedback are given to change in behavior, attitude, skills or knowledge. It also gives clear indication of what is expected of employees.

Therefore, the bank has implemented a PMS for effectively measuring branch employees' performance and rewarding them based on their performance. Therefore, this study aspires to add a significant amount of information and knowledge on the effect of the performance management system on employee performance working for the organization.

Awash Bank S.C Branches had been using a traditional performance appraisal method for the first two decades. However, the previous performance appraisal form, could not serve the purpose since it only measures required characteristics and competencies of employees than practically measuring what they contributed in exchange of what the bank pays them. Currently, it is upgraded to modernized application system that assumed to serve as a tool for strategic planning. In modern performance measurement systems, targets will be set for branches and then cascaded to each respective employee. Periodically, the actual performance versus targets will be compared to check the status of the branch's staff and actions that needs to be taken, as required. In addition to measuring performance based on the KPI for respective job positions at branches and alignment of performance with reward as an individually needs are explicitly stated.

As could be depicted from its title, the current study is planned to assess the effect of performance management systems on employee performance in one of pioneer private bank that comes into operation after the falling down of the Socialist regime. Awash Bank S.C is selected as the target organization for the intended study.

## **1.2 Profile of Awash Bank S.C**

**Awash Bank S.C** was established by 486 founding shareholders with a paid-up capital of Birr 24.2 million and started banking operations on Feb. 13, 1995. As of end of June 2020, the number of shareholders and its paid-up capital increased to over 4369 and Birr 5.87 billion, respectively. Likewise, as of end June 2020, the total assets reached Birr 95.6 billion with over 466 branches across the country, Awash Bank S.C continues to be a leading private commercial Bank in Ethiopia.

**Awash Bank S.C** duly recognizes strategic importance of its workforce in achieving its business objectives. According to 2019/20 annual year bulletin, the bank has 10,130 total workforces, making the Bank one of the leading employees among private banks.

### **Vision:**

“To be the First Choice World Class Bank”

### **Mission:**

“To provide Innovative, Competitive and Diversified banking services accessible to the society with qualified and committed staff in a profitable and socially responsible manner”

## **1.3 Statement of the Problem**

As mentioned on the introduction part, Awash Bank S.C Branches had been using traditional performance appraisal methods which have some gaps in measuring actual performance. In order to bridge the gaps observed in the existing traditional PMS and due to the prevalent stiff competition among banks and in order to maintain the dominant pioneer private bank in Ethiopia as well as to achieve the long run strategic objective of the bank which is “To be the First Choice World Class Bank” implementation of modern PMS becomes obligatory.

Since the implementation of performance management systems, the progress attained and implication on the organizational cultures so far is not evaluated. Performance planning, coaching, and review are the foundation of any well designed performance management system as outlined by (Reynolds, 2009).

The studies conducted in the past have identified the need to have a good performance management system in place. According to Cook, (2003), Supervisors and employees are falling short in meeting the expectations of the organization. There are gaps on how to execute the performance management system to benefit both the organization and the employees.

An effective Performance Management process establishes the groundwork for excellence by linking individual employee objectives with the organization's mission and strategic plans or outcomes (Drewitt, 2013). The employee has a clear concept on how they contribute to the achievement the overall business objective. Supervisors need to conduct regular discussions throughout the performance cycle which include coaching, mentoring, feedback and assessment (Lee, 2006)

Performance appraisal properly describes a process of judging past performance and not measuring that performance against clear and agreed objectives. Performance Management shifts the focus away from just an annual event to an on-going process (Bruce, 2014)

Therefore, the focus of this study is aligned on employees' perceptions on the newly implemented the performance management system used by Awash Bank S.C and to find out how employees see, make sense of and interpret their everyday experiences with such system and its values to Awash Bank S.C with the aim of developing a sustainable performance management system.

Hence, since the adoption of the performance management systems, what result is achieved and how the employees attitude towards the system. The capacity of the system to align its functions to help achieve an organization's strategic goals was also examined.

## **1.4 Research Questions**

The research questions intended to address the following major questions:

1. What is the effect of Performance Management System on employee performance?
2. What is the effect of Performance planning on Employee Performance?
3. What is the effect of reward system on employee performance?
4. What is the effect of feedback on employee performance?
5. What is the perception of employees toward performance management system?

## **1.5 Objectives of the Study**

### **1.5.1 General Objective**

The main objective of the study is to identify the effect of performance management system on employee's performance in (AWASH BANK S.C S.C).

### **1.5.2 Specific Objectives**

The study was intended to achieve the following specific objectives

1. To understand the effects of reward system and feedback on the employees performance
2. To identify the effect of performance planning on employees performance;
3. To verify perception of employees on performance management system;
4. To find out the effects of performance management system on employees performance;

## **1.6 Significance of the Study**

This study will help the bank to identify gaps and to provide recommendation on the effects of performance management system, relationship of planning, feedback and rewards on employee's performance. Employees will be made to understand the role they will play in order to achieve organizations objectives. The management should aware that a standardized performance measurement is actively implemented in accordance with the bank's applicable laws and principles. Thus, issues of performance measurement activities such as, the essence of performance measurement, steps to be followed in branch performance measurement, actions to be taken based on performance result, should be investigated and reported for further enhancement and follow-up.

In the process of evaluating performance of branch staff, parties involved shall have actively participated on the system. Cascading financial (quantitative) and non-financial (qualitative) targets using the cascading template to all staff fairly and equitably based on their positions. Additionally, the study helps to investigate whether the supervisors are providing the staff with the necessary resources (material and time) to help them in accomplishment of their targets. Furthermore, based on the findings, recommendation are framed for re-engineering of the criteria/scorecards considering the volatility of the banking industry and thereby to achieve the banks strategic objectives.



## **1.7 Scope of the Study**

Currently there are 18 private and 2 governmental banks in the country and which calls also others to join the sector due to profitability of the business. Among these, the study only focus on Awash Bank S.C as a research base. The core emphasis of the current study is identifying the effect of PMSs on the performance of employees working at Awash Bank S.C.

The respondents of this study are staff members of Awash Bank S.C working at Head Quarter and selective branches located in Addis Ababa region only. The total number of employees in Addis Ababa regional branches are close to 4,250 so sampling is made to target only 400 employees. Considering one branch only holds an average of 20 employees and the mere presence of a grading system for each branch, we use 20 branches selected from each grade.

## **1.8 Definition of Terms**

### **Performance Management**

Performance Management is defined by Armstrong, (2006) as “a means of getting better results from a whole organization by understanding and managing within an agreed framework, performance of planned goals, standards and competence requirements”.

### **Performance appraisal/evaluation**

Performance evaluation is “a systematic process of measuring a person’s performance in the job, based on predetermined performance criteria” (Clake, 2011).

### **Performance measurement**

A quantifiable indicator used to assess how well an organization or business is achieving its desired objectives. (Liu, 2014)

### **Performance Management System**

Performance Management System (PMS) is defined as, strategic and integrated approach of conveying continued success to institutions by developing the people in a way that improves group and personal performance (Armstrong & Baron, 1998).

## **Performance Management Model (PCER)**

The performance management process is intended to create an ongoing dialogue between the supervisor and employee. The Division of Human Resources and Organizational Effectiveness recognize the PCER (Plan, Coach, Evaluate, and Reward) model for facilitating the performance management process

### **1.9 Organization of the Study**

This thesis is classified into five main chapters. The first chapter refers introduction of the study which includes the background, the problem statement, the research objectives, significance and scope of the study.

The second chapter focuses on literature review. It contains relevant theories, conceptual and empirical discussions leading to identification of research gaps and the conceptual framework. The third chapter presents the research design, target population, sampling methods, sample size, data collection instruments to be used as well as method of data analysis and presentation.

The fourth chapter presents demographic characteristics, descriptive and inferential statistics analysis, findings and their interpretations. The last chapter consists of summary of major findings, conclusions and recommendations of the research study.

# CHAPTER TWO

## LITERATURE REVIEW

This chapter reviews literature on the effect of performance management system on employee performance and it provides theoretical foundation, empirical evidences and conceptual framework of the study.

### 2.1. Introduction

This literature review has three important aims. It purposes to gain a full insight of the existing literature on the research area. First, it will identify the key research areas on the perception and experiences that employees have concerning performance management, second, to fully understand the challenges of performance management system and to identify the types of performance management system.

The differences in national cultures would contribute to the differences in the ways the Performance Management Systems are implemented in organizations worldwide (Palethorpe, 2011). Moreover, (Parker, 2013) stated that the major setback of evaluating the work performance of organizations around the world has been to determine the performance criteria in relation to the objective set by their organizations. According to (Slavin et al., 2014) it was justifiable to take a broad view or make assumption that PMS measures for productivity would suit in all organizations worldwide. This was because the decision-makers were not aware of the repercussion of the objectives until considerable and careful examination was performed.

### 2.2. Performance Management Model (PCER)

The performance management process is intended to create an ongoing dialogue between the supervisor and employee. The Division of Human Resources and Organizational Effectiveness recognize the PCER (Plan, Coach, Evaluate, and Reward) model for facilitating the performance management process.

- **Plan:** Performance Management begins when the supervisor reviews the employee's position restriction, communicates competencies, creates goals, and discusses them with the employee. This helps establish mutual understanding of the performance and behavioral expectations.

- **Coach:** The supervisor provides coaching and feedback throughout the year to help their employees successfully reach their goals. The goals and any other documentation created during the Plan phase become a working document to be referenced, and revised if necessary, throughout the performance review period. The supervisor and employee can each create notes about employee performance at any time which are tracked outside the Workday system.
- **Evaluate:** During the evaluation process, the supervisor may rely on multiple resources, such as the employee self-evaluation, performance notes created during the year, accolades, and customer feedback to assess the employee's performance. The supervisor meets with the employee to discuss the performance evaluation, explain the ratings, and provide feedback about strengths and areas for improvement. The supervisor then completes the evaluation in Workday and sends it to the employee to review and acknowledge before formally closing the review in Workday.
- **Reward:** The supervisor recognizes and rewards performance at year-end and during the year as merited.

### **2.3. Performance Management System**

Performance appraisals have always been carried out in a retrospective manner. The traditional appraisal in many organizations occurs once a year with a few conducting it semiannually or annually. There is usually a gap in months between establishing goals and reviewing them and also the objectives that have been set when the year begins are usually referred to at the appraisal time. According to (Lee, 2006), performance appraisal gives a chance to both the employee and the supervisor to review the goals and targets that they set together and also to confirm whether the employee is on course, how far they are from accomplishing their goals and also to identify any possible challenges that the employee may face. According to (Bridger, 2014) the appraisal process may be open to biased ratings.

#### **2.3.1 Top Management Commitment**

Top management should strive for servant leadership. This is virtuous, highly ethical and based on the premise that service to followers is at the heart of leadership (Greiner, 2013) Servant leaders exhibit the qualities of vision, caring for other people, selflessness, integrity, humility, trustworthiness and interpersonal acceptance (Clardy, 2013). It can be realized from different conceptualizations of servant leadership that service to followers and valuing followers are the basic

principles of a servant leader. When members of a team perceive that their leader is concerned about their welfare, they will become more committed to the organization.

Organizations have a need for leadership styles that create favorable environments for teams to function optimally. According to the findings of (Palethorpe, 2011), team leadership is a fundamental process, focusing around the satisfaction of critical needs of a team with the goal of enhancing team effectiveness. Clear performance by increasing resilience and productive time reduce the negative factors such as exhaustion and absenteeism.

In the context of performance contracting, commitment is at two levels; top management and the level of employees. Top management commitment may be viewed from willingness to be loyal and focus all the energies to implementation process. Expectancy theory by Victor Vroom tells us that employee commitment to organizational goals depends on the strength of expectation that doing so will be followed by favorable outcome and the value that the individual attach to the reward. According to (Muthaura, 2010) in a presentation on the role of Kenya's public service in a changing environment argued that people will oppose change if they do not see clear and reliable gains. They look at what is in it for me? This means that the commitment of the employees is dependent on their perceived gains from implementing the system. (Trakoli, 2011) argues that unless performance management system gain acceptance through encouraging people to collaborate because they want to not because they have to, performance management system may actually lead to suboptimal performance by making figures look appealing only on paper.

Commitment or leadership has been one of the challenges that have been found to be critical for successful implementation of performance metrics. Top management involvement would help to promote the restructuring of the business organization and to accelerate the management of change and employee buy in (Martin, 2009).

### **2.3.2 Objective and Fair Standard of Evaluation**

Performance standard is the measuring tool for determining the outcomes of employee's performance. All necessary standard needs to be followed and spelt out for the staff. Stipulation of standards is important because it helps the organization to achieve its goals; to motivate individuals, teams and groups to a higher level of personal work behavior. Standards reinforce behavior, promotes the consistency of employee's performance and it can also be used to weigh and measure the impact of employee's performance (Greiner, 2013)

For employees to be productive optimally there must be knowledge and training to carry out a particular job. Training and development enables employees to provide optimum output and also reduce the chances of their being infected by soldiering and deliberately working slow to avoid working full hours as highlighted by (Julnes, 2008).

### **2.3.3 Agreement on Performance Metrics**

Management and employees depend heavily on the agreement of the performance metrics to be used. Therefore, it has been found to be quite paramount for the employees especially at the managerial level in organizations to understand the metrics before involving themselves in the implementation processes. According to (Aguinis, 2009), one of the critical success factors in the performance metrics implementation has to be the satisfaction of the customers and the quality characteristics have been found to be emphasized upon. Therefore, organizations should give priority to the clients by way of increasing the level of service quality and improving work related attitude among the employees. According to (Sparrow, 2012), there are a number of reasons for the failure of Performance management systems. More often than not, systems are used and supported by top management. Supervisors view the system as an administrative burden and do not see the benefits of energy invested in making the system work. Performance objectives are written so subjectively that measurement is not possible. Performance objectives set at the beginning of the year appear to be less important by end of the year if linked to certain projects that were not deemed to be critical success factors. Managers are unable to give feedback and deal effectively and constructively with the conflict generated by the assessment of employees' performance. During the last two decades, an increasing number of organizations have implemented Performance Management Systems that are based on Critical Success Factors and Balanced Scorecards. (Hetty, 2008) describe the results of a study that confirms organizations that balance financial and non-financial measurements, but also link strategic measures to operational ones, they update their strategic scorecard regularly and also communicate measures and progress to all employees, are better performers. (Armstrong, 2003) stated that, 'Performance management is not static. It will change as performance issues vary, as marketing strategy changes, technologies and the means to measure and record performance change over time.' Thus, the statement asserts that the knowledge of BSC needs to be disseminated to Top management because they are responsible for planning and organizing the company's strategy. Hence, once the top management is familiar with the BSC concept, only then are they able to utilize the company's financial and operational information to

link its mission, vision, objectives and goals to develop the organization's KPIs (Drewitt, 2013). This is one of the practical problems that have been raised in this research.

#### **2.3.4 Training and Awareness**

Another element of challenges in performance metrics implementation has been training and awareness, because not all employees accept the changes that have occurred in their workplace. Therefore communication between supervisors and subordinates must be good in order to enable the organization to realize the desired mission of the organization. Training and awareness have been found to play an important role in ensuring the success in the performance management implementation (Tobin, 2008)

#### **2.3.5 Regular Review of Performance Management**

Lack of constant review of performance management system to align with changes in the organization is a common phenomenon in many organizations. The performance management system can be a good mechanism for quality assurance if implemented in the right manner and enabling environment. According to (Newstrom, 2011) study, though limited in scope, clearly showed that performance management systems need to be reviewed on a regular basis to make them compatible with international trends of making businesses more responsive to the needs of the clients. Most performance management systems, while well-intentioned, are fraught with numerous challenges that impact on its implementation. This range from lack of regular system review, lack of training on performance management, shortage of resources in organizations, abuse of the system as well as lack of reward. These impediments need to be addressed with a sense of urgency if at all the performance management system is to remain credible in the eyes of the stakeholders (Robbins, 2007).

#### **2.3.6 Cultural Change Aspect**

The cultural change aspect is also a major element that has requires the attention from the management of the organization. Most literature reviews have stated that cultural changes could have major impact on any implementation of performance metrics as argued by (Vukotich, 2014). The organizational understanding of the work processes is an important characteristic in the Balance Score Card (BSC) implementation as well as the ultimately customer satisfaction that has been the main priority for most organizations. Therefore, the PMS used should be capable of tracking the customer needs and wants according to (Bogetoft, 2012). In addition, (Berry, 2004) stated that organizations should attach the success of any performance metrics implementation to the financial

benefits accrued. This is because it has been one of the four critical perspectives in the BSC framework. However, (Clardy, 2013) proposed that clear performance metrics is an equally important characteristic because quite often, the difficulty and problems in identifying what to measure has created problems in the implementation of the performance metrics.

### **2.3.7 Feedback System**

Employee's engagement behavior should be included in the performance management (Armstrong, 2012) the behaviors of the employee include persistence, the ability to be proactive, role expansion and adaptability. The main activities of this component are performance appraisals and feedback from supervisor. However, in order to enhance feedback, (Julnes, 2008) argues that it is important that the employee feels that there is trust and justice in the system.

Competence based performance appraisal system was designed for higher education institutions by (Gilmore & Williams, 2009). He found out that there were three competencies, namely core competency, managerial competency, and technical competency. According to (Parker, 2013) appraisal is "the process of periodically reviewing one's performance against the various elements of one's job". His study described the purpose and developmental criteria of a performance management program that assessed the performance of hospital employees on a regular basis. (Slavin, 2014), examined the effect of performance appraisal politics on job satisfaction. The results confirmed that performance appraisal politics acted as important predictors of job satisfaction in the studied organization. (Martin, 2009) examined the effect of performance appraisal on individual as well as on the organizations. The findings of the research showed that there was a noticeable effect of the performance appraisal on the organizations as well as on the individuals.

The emphasis by (Trakoli, 2011) shows the need for maximum prosperity of employees ultimately resulting in maximum prosperity of the organization. Taylor believes that proper remuneration keep workers motivated and lead to better job performance.

### **2.3.8 User Friendliness of Performance Appraisal Form**

Previous studies have indicated that performance appraisal needs to be user friendly to both the supervisors and employees. (Gold, 2010) there are several factors to be considered to ensure that the performance appraisal instrument is user friendly. The content should be properly rated on the usability of the system, easy to answer questions, consistent document layout and free from unnecessary questions. It should be time rated on the amount of time required to answer all the



questions, less questions means less time is needed to complete the form. It should be clear and not ambiguous; the questions should be direct and be straightforward. The layout or format of the form should be economical. The usage of ICT tools and devices may help to replace the traditional format of the forms. There are systems that can be used to assist supervisors and managers with situation assessment and long range planning as argued by (Bridger, 2014)

### **2.3.9 Bias in Performance Appraisal**

One of the most difficult requirements of an effective performance management system is that it should be as free as possible from bias. People cannot deny the involvement of bias in their decision making on performance of theaters. The only thing that the raters can do is to minimize the level of unfairness as much as possible. Work professionalism plays an important role for the reliability of the assessment process. There are many types of bias that creep into performance management system according to (Tobin, 2008) and the most reported are recently effect, halo effect, central tendency and prejudice. The main issue in the practice of performance appraisal activity is the fairness of the evaluation decision by supervisors. Raters have problems evaluating the performance appraisal in a proper way. Performance of individual employees that is not measured accurately can lead to dissatisfaction with the system.

One of the factors that contribute to employee's dissatisfaction is that raters do not have the required skills to appraise staff. This will affect the process of evaluation because bias, unfairness and unreliability may happen. As much as there is a formal evaluation form and a set of rules and standards to be followed, employees often do not trust the tools of evaluation. Subjectivity in the performance evaluation in the public and private sector is quite common. Managers are encouraged to be as objective as possible but during the implementation of performance appraisal, the evaluation becomes subjective. The subjectivity of the evaluation discourages employees on supporting the measurement of performance management system and this reduces the objectivity of the performance appraisal (Sparrow, 2012). The quota system that is practiced in some organizations creates dissatisfaction among employees. A small fraction of the employees get salary increment either vertically or diagonally. Therefore, although the employees may perform well, they might not be rewarded because salary increment depends on the quota system. This will therefore lead to decrease in work performance, self-esteem and loyalty. The appraisal decision is confronted with a great deal of criticisms and comments from the employees. There are several issues that have been brought forward such as the rater's ability to conduct performance appraisal, accuracy of the system, fairness, discrimination and quota system.

Performance management should suit the organization's culture. Research findings strongly suggest that multinational company's manager should carefully design the appropriate performance management system for foreign operation based on the different cultural factors of the country.

## **2.4. Employees experiences with the PMS**

### **2.4.1. Suitability of PMS**

Performance management system as referred to by (Cook, 2003) is the process of achieving organizational objectives by making productive use of people. Other scholars say that performance management includes the process of designing formal systems that ensure the efficient and effective use of human talent to achieve organizational objectives (Burgess et al., 2007). One of the key functions in Human Resource Management is performance evaluation. According to Baker, (2013) performance evaluation is the key difference between organizations just managing to survive and high performing organizations. Performance evaluation aligns itself to the organization strategies and also provides a lively link to general and specific human resource functions (Vukotich, 2014). However, performance evaluation is casually done in organizations where the business strategies are not properly aligned. (Tobin & Pettingell, 2008) emphasize that HR as a function should not impose the idea of performance evaluation because it is everyone's responsibility in an organization.

### **2.4.2. Employee Perceptions of PMS**

There is a negative perception the employees have concerning Performance Management System. They believe that the system is influenced by subjectivity, according to the investigation done by (Newel, 2000) concerning the perception that employees have of performance management system. There is very little employee involvement in formulating criteria, agreeing performance standards and objectives when designing performance systems. Management selects a few top representatives to develop the system in the absence of staff.

According to (Makori, 2014 ) on a study that he carried out on employee perceptions of performance management, the employees in the hotel industry believed that they performed better in their daily tasks but there was no significant relationship between their individual performance and the perception they had of the initiatives that the hotel had put in place for performance appraisal. The study therefore concluded that employee perception on performance management was not necessarily influencing individual performance in the hotel industry.

### **2.4.3. Integration between organization objectives and individual objectives**

A good and functional performance management system should be able to exhibit integration between organizational, functional and individual evaluation systems. The views of (Cooper, 2005) are that integration can be achieved in an organization through agreement on performance objectives and performance definitions at all functional levels in the organization. Moreover, performance management system should facilitate an individual in an organization to visualize how their individual objectives and evaluation measures lock into organizational perspective. (Manville & Greatbanks, 2013) emphasizes that if the measurement systems in an organization are unable to meet conclusions and facilitate decision making it becomes a futile exercise and a redundant process of no value. In the ideal state, performance management should be able to deliver an overall performance evaluation being based on individual or functional numbers contribution in the organization. This will also enable an organization in future decision making and planning. Well executed and setup performance measurement frameworks facilitate an organization to enjoy vertical and horizontal functional collaboration to achieve organizational excellence (Longo & Cristofoli, 2007).

Performance Management System provides feedback to an organization about its functional and individual achievements. These qualitative or quantitative substitute measures further provide a roadmap for how future organizational objectives can be attained. (Van Soelen, 2013) argues that past performances do not ensure better or similar future outcomes.

### **2.4.4. PMS for career growth**

According to changing nature of career and unstable employment, there is an increasing idea that individuals' career progression is the responsibility of themselves, not the organization's responsibility (Greiner & Sakdapolrak, 2013). Predominantly, highly educated people are capable and able to manage their own career (Abston & Kupritz, 2011). Individual employees who are graduates can encourage themselves to remain employable and marketable, not only for developing a career in a particular organization, but also for developing lifelong transferable skills in job market (Boyatzis, 2008). Based on the concept of individual career management employees are the central actors in managing their own careers (Cooper, 2005). They determine which career direction they will take. ICM enhances individuals' perceptions of control over their careers, which in turn leads to career satisfaction (Garber, 2011) Career satisfaction has been regarded as a key factor for individual and organizational success (Lee, 2006).

A study that was carried out by (Abston & Kuritz, 2011) shows that proactive personality and self-control is the predictors of a successful career. Studies conducted by (Bridger, 2014) and (Clardy, 2013) found that individuals proactive personality can promote their career success. Employees who are proactive are more likely to engage in improvement opportunities and innovative behaviors that are significantly related to career success (Greiner, 2013).

#### **2.4.5. Employee Engagement**

Employee engagement in Performance Management is vital. Promotion of employee engagement can be used as a means to increase the performance (Byrd, 2013). The engagement management model has three arms. These are Performance agreement, engagement facilitation and performance management and feedback to the employee which will lead to improved performance (Cook, 2008). However, since this model has not been tested empirically, there is a lack of conceptual and empirical work on how Performance management systems can enhance performance by fostering employee engagement.

#### **2.4.6. Clarity in Tasks and Duties**

Perceptions principally relate to social contacts rather than to procedures. In order to develop positive perceptions organizations should ensure that their processes are clear in relation to the key performance indicators and rewards, consistent feedback and clear explanations about performance management processes by Managers (Palethorpe, 2011). Recognition and rewards are one of the primary objectives that need to be aligned with the overall organizational strategy. In order for a performance management to be successful, there need to be a collaborative process between supervisors and employees. A performance management cycle should begin with a discussion of employee and supervisor to discuss results, the expected behaviors and developmental aspects for better future performance (Aguinis, 2009). This collaborative aspect of performance management process lets supervisors understand the story from a subordinate's perspective (Robbins, 2007). This will therefore provide a forum to elaborate the expectations for employees. It also provides information for future decisions about promotion or rewards as well as providing a platform to attain the desired employee behaviors for better performance. Human Resource tasks such as performance management impact and include employees as well as supervisors. This inclusion will influence the quality of the relationship and also improve on perceptions as pointed out by (Manville & Greatbanks, 2013). The organization perceptions that are possessed by an employee are largely contributed by supervisors as researched by (Greenberg & Haviland, 2008). This can be a key factor in transmitting an organization's perceptions to outsiders as well as stakeholders (Reynolds, 2009).

#### **2.4.7. Evaluation on Pre-determined Parameters**

Evaluating employee's performance on pre-defined parameters as stipulated by (Armstrong, 2009) has been highlighted as a differentiating factor among the market leaders and survivors (Lawler & Garber, 2007). This difference emanates from evaluation processes and their results as these influence employee satisfaction and talent retention in an organization. The evaluation process needs to be in sync with organizational objectives and reward systems along with strategic direction (Hirsh, 2004) Synchronization feedback mechanisms will address developmental gaps so as to improve future performance according to (Aguinis, 2009).

Today, the business environment is dynamic and very volatile. Organizations have become contented with their performance management practices leading to failure. Consequently strategies need to be revamped as the changes in the environment are quite dynamic.

#### **2.4.8. Evaluation of previous PMS objectives**

The concept of management emphasizes the need for getting things done right through people efficiently and effectively (Robbins & Judge, 2007). This also raises the question of what systems the businesses use to evaluate whether things are heading in the right direction or not. In order to solve this puzzle, organizations are highly encouraged to evaluate their previous performance and align it to their future objectives. The process of this evaluation does not end with the good performance of an organization. The process needs to trickle down to individual levels. According to the findings by (Van Soelen, 2013) indicates, Organizations use performance management systems for all business drivers from individual to functional, shareholders and customers. However, (Aguinis 2009) believes that there is a substantial gap that lies between practical orientation of performance management and the literature. This gap exists because researchers target other researchers as their audience rather than organizations (Wong & Shi, 2014).

Performance Management, as defined by (Armstrong 2009) is a process designed to improve organizational, team and individual performance and this is owned and driven by the line manager. (Aunis 2009) views performance management as a continuous process of identifying, measuring and developing performance of individual teams and aligning performance with the strategic goals of the organization. It also evaluates the improvement being made towards the achievement of organizational strategic business objectives (Bridger, 2014). Performance Management will not provide the desired outcomes if an individual's performance and objectives are not aligned with the

strategic objectives of the organizations. In addition, in cases where the individual or functional objectives are aligned and not rewarded properly, the end result is a disconnect syndrome, swaying an organization away from its objectives. In order to avoid the disconnect syndrome, synchronization in objectives should be ascertained.

## **2.5. Empirical Evidences**

Many researchers did a research on the effect of performance management system on employees' performance/productivity. Among the researchers, (Odhiambo 2015), (Gupta and Upadhyay 2012),(Chioma 2015), (Ayanyinka and Emmanuel 2008),(Ying 2012) and (Maina 2015) are found.

A study carried out by (Odhiambo, 2015), examined the effect of performance management practices on employee productivity with a focus on Schindler Limited Company in Nairobi, Kisumu and Mombasa branches in Kenya.

In the study, the researcher considered dependent variables including performance appraisals, reward systems and performance feedback, and the implications on employee productivity as the independent variable. This study used the descriptive research design. The study adopted a quantitative approach on the effects of performance management practices on employee productivity. Descriptive statistics was used as a data analysis tool. Inferential statistics such as correlation and regression analysis was used to establish the relationship between dependent and independent variables.

The study concluded that effective performance management practices gives employees opportunity to express their ideas and expectations for meeting the strategic goals of the company. Performance management practices could be an effective source of management information and renewal. The use of reward system has been an essential factor in any company's ability to meet its goals. Effective feedback on performance measurement may translate to improved employee productivity. Feedback enables the employees to be made aware of what exactly is expected from them.

The researcher concluded the study by recommending the following: *“the performance management practices should be optimized to improve employee performance. Performance reviews should be focused on the contributions of the individual employees to meet the organizational objectives. For every opportunity possible, the manager should formally recognize good employee efforts for enhanced work performance. Effective performance management practices that edify appraisal*

*reward and feedback should be used to achieve organization goals and enhance employee productivity.”*

(Gupta & Upadhyay, 2012) conducted research on Effect of effectiveness of performance management system on employee satisfaction and commitment. In their findings, they indicated that there is significant correlation between performance management system and satisfaction and moderate correlation between employee job satisfaction and commitment. The researchers concluded that “effective performance management system is only mantra to build the loyalty index of the employee to keep them happy as happy mind work best.”

(Chioma, O. 2015) studied to investigate the effect of appraisal system in Niger Delta University on employee productivity. The methodology employed was a survey study design. The findings revealed that there was a significant relationship between performance appraisal and employee productivity and that effective appraisal system could boost the morale of workers especially when they are rated adequately. The findings also revealed that performance criteria also affect the relationship between performance appraisal and employee productivity.

(Ayandele, 2013) studied on the effect performance management system on employee’s job commitment, an empirical study of selected companies in Nigeria. Primary data was gathered using a Likert scale questionnaire format. Data analysis was carried out using simple linear Regression. Findings revealed that performance management system effects on employee’s commitment to the organizational set goals. The study concluded there is a positive relationship between employee’s participation in the designing of an organization’s performance management system and employee’s commitment to the organizational set goals. The study recommended among others that employees should be carried along in designing the performance management system and the organizations. Performance management system should be clear, objective and easy to understand.

There is a view that the inappropriate job performance and behavior such as lack of service delivery, fraud and corruption at the BCMM could be attributed to lack of capacity (Mawonga, 2012; Benya 2011). It suggests that the number of available personnel is insufficient and lack capacity and thus need to be appropriately trained and provided with relevant tools and infrastructure (Mntengwana, 2013); (Bengeza, 2013); (Gourrah, 2011); (Buffalo City Metropolitan Municipality, 2010). Lack of capacity could indeed be the cause of inappropriate job behavior and performance due to ignorance and misunderstanding of organizational policies. Erroneous discharge of duties by workers is

understandable in an environment such as the BCMM where some workers are “overworked due to staff shortages” (Gourrah 2011, p. 3).

On the other hand, purposeful inappropriate job behavior and performance is often committed with some level of understanding of the wrongfulness of the act and with the capacity to prevent or avoid it. That is why it is ironical when workers’ job behavior and performance is inappropriate although they are capacitated, through formal education, to perform well and be productive in their respective occupations. The qualification-occupation link is, however, highly debatable because the issue of matching qualifications with jobs is complex. For instance, occupations like being the country’s president involve significant levels of administration and management, but such appointments are generally made on political rather than academic merit as no one goes to school to enroll for a course on becoming a president. The importance of using formal education credentials as the basis for appointment is often diminished by the fact that inappropriate job behavior and performance has been manifested by those appointed both on political and academic grounds. On the basis of disappointed expectations from formal education, some scholars have concluded that “education is useless” (Cotton, 2003, p. 1). Widespread inappropriate behavior of fraud and corruption, by even those with formal education, calls into question the effect of education on job behavior and performance. The BCMM workers’ inappropriate job behavior and performance is a serious setback for functionalist claims about education as even some of those appointed on academic merit do not reflect appropriate ethics, attitudes and values.

(Ying, 2012), examined the relationship between performance management systems with employee performance. The research strategy is based on quantitative research. Data was analyzed using a package STATA for windows. The results show that the performance management system has a positive but no significant relationship with employee performance.

(Maina, 2015) analyzed the effect of Performance Management system on employee performance in FAO. The research questions were: How do employees interpret their experiences with the Performance Management System? What are the challenges of performance management system? What are the performance review processes? The research design was descriptive. Data was collected using structured questionnaires. The data was analyzed using the Statistical Package for Social Sciences (SPSS) into frequency distribution and percentages.

The major findings of this study are: that employee feel there is a great need for a performance management system in FAO. The system should have inputs from the staff members through staff involvement, it should have fair monitoring structures and reward staff who are high performers. It



should also have stronger emphasis on proper communication and reporting. Employees also felt that there was limited transparency and minimal communication. The revised performance management should close the missing gaps. It should also reward high performers and correct the low performers. The study recommends that 360-degree feedback was deemed to be the best performance management system for FAO. It involves employees receiving feedback from people whose views are considered helpful and relevant.

The study concludes that the perception of employees towards performance management practices is very critical in all organizations as this motivates them to achieve the goals set by the organization and the respondents pointed out to the various aspects of performance management practices in line with the planning and employee expectation, observing performance management practices, developing the capacity of performance management practices to perform and evaluate performance management practices which are crucial to managing the output given by the employees.

In addition, the study concludes transparency should be encouraged, performance management to be carried out regularly, perform job design in order to match staff qualifications to the right job, boost staff morale by giving them longer contracts, create job growth path for staff and orient new staff on performance management and engrave it to the organization policy.

## **2.6. Summary**

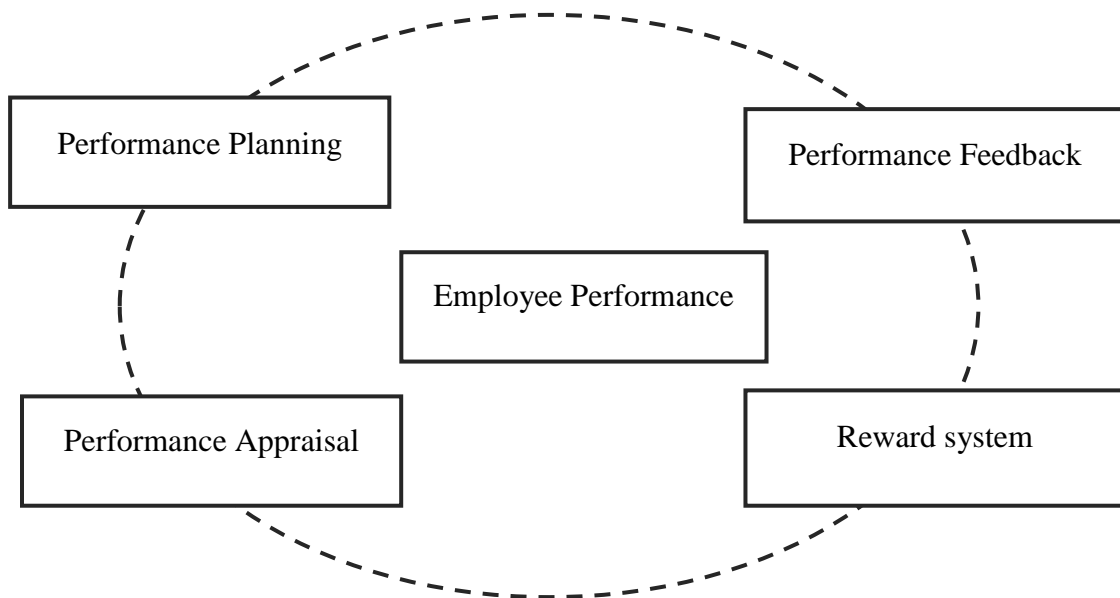
In summary, the studies reviewed above emphasized the importance of performance management system. Implementation of performance management system is still a problem in almost all organizations. It is therefore easy to understand how the correct implementation of the performance management system facilitates growth and health in the organization. It is imperative that the managers implementing the system have the right perception and attitude towards it and understand the benefits entrenched in it. Continuous training of both supervisors and employees is important so that quality of service is provided. Policy review on performance management is also required.

## 2.7. Conceptual Framework

Based on the reviewed literatures, Performance appraisal, Feedback and reward system were considered as factors affecting employee performance which form the framework for this project. The selected framework was adapted from the study conducted by (Odhiambo, 2015), and I included performance planning as an additional factor. Most of the findings of the reviewed literatures show consistency that PMS has a great effect on employee performance/productivity.

In this research, Employee performance is the dependent variable and the independent variables are performance planning, performance appraisal, reward system and performance feedback. This project intended to examine the effect of PMS on employee performance. The four factors considered to have effect on employee performance are performance planning, performance appraisals, reward systems and performance feedback.

Figure 1 Performance Management system and employee performance



## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

In order to achieve the objective of this paper, using of appropriate methodology that helps to approach the research scientifically is the priority attention given by the researcher. Therefore, this chapter includes research design, sample and sampling technique, instrument for data collection, procedure of data collection, method of data analysis, reliability and validity and ethical issue.

#### **3.1 Research Design**

According to (Geoffrey et al, 2005) descriptive research is a research type which describes phenomena as they exist and it is used to identify and obtain information on the characteristics of a particular problem or issues. Based on the above definition, descriptive type of research design is best to achieve the aim of this research since the study is focus on assessing of performance management practice in Awash Bank S.C. It is an approach that is used when researchers want to know regarding events, who were involved, what happened, and where did things take place.

#### **3.2 Population and Sampling Design**

According to 2019/20 annual year bulletin, the bank has 10,130 total workforces out of which 4,250 of them are working in Addis Ababa. For this study, the researcher use sample from the total population due to time, resource and proper organization of data. One basic requirement for inclusion, one year and above experience employees had been taken in to consideration. The rationale of selecting these employees as a target population is because they have at least one time experience of the performance management system in Awash Bank S.C. Since the population of the study are many in number it was difficult to use census, and also imitating the sample size of similar studies was not possible because it was difficult to gate this kind of research that is done in Awash Bank S.C or other banks. Therefore, the researcher has used table for determining sample size, because it is easy and developed by experienced scholars like (Krejcie and Morgan, 1970).

Based on the figure 2, the appropriate number of sample for a 5% margin of error is 356 out of the total population. Considering a margin for non-returning questionnaires and improper answering, we targeted 400 sample populations. As the study was delimited to Addis Ababa and each branch on average hold 20 employees, dividing by a population size of 400, we have selected twenty branches including Head quarter.

As mentioned above, sample is taken from twenty selected branches based on their grade level (Grade 1 to Grade 4) in Addis Ababa namely HeadOffice, Merkato, Finfinne, Legehar, Stadium, DilGebeya, Kazanchis, Lafto, MeskelFlower, NifasSilk, Gotera, Kirkos, Olompiya, Asko, Bethel, D’Afrique, Bambis, AmanuelTotal, KuasMeda and Sengater.

Figure 2 Table for determining sample size from a given population

<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

Note.—*N* is population size.  
*S* is sample size.

Source; the NEA Research Bulletin (1960), Vol 38.99

### 3.3 Types of data collection and method used

This study uses questionnaire as main method for data collection technique. The answers we get from these questionnaires are quantitative in nature. The questionnaire was divided into six sections. The first part of the questionnaire is to gather the general information about the respondent including demographic and educational level. The second part of the questionnaire is focused on the effect of PMS in planning of performance targets. We aim to gauge the level of support and understanding employees have regarding PMS. The third part of the questionnaire focuses on understanding the effect of PMS in employees’ performance.

The next two sections of questionnaire targets the reward and feedback loop of PMS and the effect they have on employee performance. Finally, the sixth part of the questionnaire tries to understand the perception of employees on ways to improve the current level of PMS.

The questions were meant to be answered by all employees including managerial/supervisor and clerical details of which is described hereunder. This was with the aim of understanding employees' perception regarding PMS in Awash Bank S.C. Likert- type scale of questions were set where the respondents were asked to rate the level of their agreements towards a given statement.

Answering such type of questions is given by ticking 1, 2, 3, 4 or 5 to respond to the statements to what extents you agree or disagree with each. (1= Strongly Disagree, 2=Disagree 3=Neutral, 4=Agree, 5=Strongly Agree), the higher agreement rate indicates, the higher level of satisfaction regarding the statement associated and vice-versa. The research also granted permission by HR directorate of the bank to conduct and to collect data regarding the PMS as they see it helpful in their measuring practice of employees' performance.

### **3.4 Method of Data Analysis**

Descriptive statistics was used to run the basic statistical measures such as the mean, median, and standard deviation. The mean is a measure of central tendency which provides an arithmetic average for the distribution of scores (Coolican, 1999). Descriptive statistics namely measures of central tendency and measures of dispersion are used to organize the data through closed ended questions with the help of SPSS version 16. analysis has been done according to the objective of the study. Summary of statistics has organized in the form of qualitative and quantitative measures by using frequencies and percentage.

### **3.5 Reliability**

Reliability is consistency of measurement over time or stability of measurement over a variety of conditions, the most commonly used technique to estimate reliability is with a measure of association, the correlation coefficient, often termed reliability coefficient (Kothari, 2004). Reliability tested using Cronbach's alpha values for the items in each construct. According to (Sekaran and Bougie, 2016) reliabilities less than 0.60 are considered to be poor, those in the 0.70 range, acceptable, and those over 0.80 are good.

The internal consistency of the questions measuring PMS planning, employee performance, reward for their achievement and proper and timely follow-up along with their personal improvement views are presented on the table below

Table 1 Reliability test

	Cronbach's Alpha	No. of Items
Planning	0.876	5
Performance	0.764	9
Reward	0.71	10
Feedback	0.87	7
Improvement	0.836	7

Source; own survey 2021

The table shows that Cronbach's alpha for PMS planning, feedback and improvement views are 0.88, 0.87 and 0.84 respectively. This value indicates the internal consistencies of these three sections are good. The Cronbach's alpha value for employee performance perspective and feedback they perceive has a value of 0.76 and 0.71 respectively. Which is a clear indicator that the value we get from employees are acceptable to be reliable.

For this study to ensure reliability, we also taken the following steps

- The data collection and analysis procedures are discussed clearly;
- The profile of participants are defined and explained clearly;
- Questions used to collect data are clearly prepared and attached at annex part

### 3.6 Validity

Validity refers to the extent to which a test measures what we actually wish to measure. Reliability has to do with the accuracy and precision of a measurement procedure (Kothari, 2004). Validity is concerned with the meaningfulness of research components. When researchers measure behaviors, they are concerned with whether they are measuring what they intended to measure. The issue of validity was addressed through the review of literature and adapting instruments used in previous research works.

### **3.7 Ethical Considerations**

The study has attempted all the necessary precautions to protect the study participants from such sort of problematic encounters by applying certain measures. Accordingly, the respondents were notified not to mention their identity, particularly their names while filling questionnaire. Moreover, they have been assured that no meaningful damage would be inflicted on them because of their participation in this particular study by boldly explaining to them the apparent purpose of the study (which is actually for academic purpose) and ensuring the confidentiality of their identity and whole part of the information they provided for the purpose of undertaking this study.

The organization's code of ethics was taken in to account without significantly compromising findings of the study. Also it may not be ethical to ask employees to answer questionnaires while they are at their work responsibility. Hence, enough time was given to respondents so that they can either take the questionnaire to their home or use their break time.

# **CHAPTER FOUR**

## **RESULTS AND FINDINGS**

### **4.1. Introduction**

This chapter presents the findings of the research and discussion on each objective questions. On the first part we analyze demographic and response rate of questionnaires. Then explanation on the results according to the nature of the questionnaires has done, PMS with regard to planning, employee performance, reward and feedback. On the second part there is a discussion on the findings of the study with respective of one another and aligning with employees' suggestion for improvements.

### **4.2. Response Rate**

Data was collected by use of structured questionnaires, and analysis done using SPSS and excel. Questionnaires were sent to all the 400 staff members of 20 selected branches including Head Quarter and 356 responded accordingly, excluding non-returned and improperly filled questionnaires. This translated to 89% response rate. According to Babbie (2002), any response rate of 50% and above is adequate for analysis and therefore, the response rate of 89% is more than satisfactory and the total numbers of questionnaires are also above the minimum required to assure a controlled error rate of 5%. The rate of rejection for grade 1 branches are calculated and indicates that out of 126 questionnaires distributed, only 7 questionnaires are rejected, indicating a response rate of 94.4%. For Grade-2 branches, a total of 102 questionnaires are distributed with a response rate of 83.3% which is the lowest of all branches. For grade 3 and 4 branches, 93 and 79 questionnaires are distributed with 11 and 9 questionnaires were rejected respectively. These ensures a response rate of 88% for Grade 3 branches and 88% for Grade 4 branches.



Table 2 General Response Data

	Branch	Targeted Population	Number Of Questionnaire Distributed	Returned Questionnaires	Rejected or non-returned Questionnaires
<b>Grade-1 Branches</b>	Head Office Branch	31	31	31	0
	Merkato	24	24	23	1
	Finfinne	25	25	23	2
	Legehar	22	22	20	2
	Stadium	24	24	22	2
<b>Grade-2 Branches</b>	Dil-Gebeya	21	21	17	4
	Kazanchis	19	19	16	3
	Lafto	22	22	19	3
	Mexico	21	21	19	2
	Meskel-Flower	19	19	14	5
<b>Grade-3 Branches</b>	Gotera	19	19	18	1
	Kirkos	17	17	16	1
	Olompiya	21	21	16	5
	Asko	17	17	14	3
	Bethel	19	19	18	1
<b>Grade-4 Branches</b>	D'Adrque	17	17	15	2
	Bambis	18	18	17	1
	Amanuel-Total	15	15	12	3
	Kuas-Meda	16	16	14	2
	Tor-Hailoch	13	13	12	1
	<b>TOTAL</b>	<b>400</b>	<b>400</b>	<b>356</b>	<b>44</b>

Source; own survey 2021

#### 4.3. Demographical Data of Respondents

The target population of the study includes 400 people, all of them were approached by questionnaire. From 400 questionnaires distributed, 356 were returned. Accordingly, the questionnaires (89%) results are summarized in tables below. Demographically, the respondents were dominated by female (59.9%) and the remaining 40.1% were male with a majority (77%) of them having an educational background of BA Degree. Moreover, majority of the respondents are working at branch and the remaining 20.5% are staff members of Head Quarter. The implication for percentage increment at branch level since the PMS is designed mainly for resource mobilization, deposit, account increment and foreign currency generation and hence branches are focus area for such activity.

Table 3 Demographic data of respondents

Gender		Male	Female	
	Frequency		143 (40.1%)	213 (59.9%)
Educational Qualification		Diploma	Degree	Masters
	Frequency		41 (11.6%)	274(77%)
Work Unit		Head-Quarter	Branches	
	Frequency		31(20.5%)	325 (79.5%)

Source; own survey 2021

As noted here above, Branch Manager, Operation Managers, Business Development Managers, Accountant, Relation Officer and Customer Service Officers are the main target area at Branches levels while Credit Analyst, Officers at various directorates are consider at Head office level. Branches are the focus area of the study as the percentage reveals since the PMS is designed mainly for resource mobilization.

#### 4.4. Effect of Performance planning on Employee Performance

Table 4 the Effect of Performance Planning on Employee Performance		1	2	3	4	5
6	The consultation process in the development of the performance planning is highly appropriate	9%	15%	24%	45%	7%
7	The performance planning process is participatory	12%	38%	13%	22%	15%
8	Participating in the planning process motivates me highly to perform towards achievement of planned targets	18%	23%	14%	35%	10%
9	The discussions between branch managers and subordinates are appropriate for accomplishment of planned targets	16%	12%	18%	14%	40%
10	Frankly, I don't like my performance targets as they are imposed by a person who have little knowledge on my specific work or qualification	14%	18%	20%	32%	16%

Source; own survey 2021

Form the above table, we can clearly see that 45% of the respondent confirmed that during development of the performance planning, discussion with the employees has positive impact on the achievement of cascaded plan. On the other hand,38% the result reveals that the performance planning process is not participatory which indicates planning is prepared centrally with less involvement of the employees and requires attention of the management in order achieve organizational objective.

On the same understanding, 35% of the respondent affirms that participating on planning process motivate them to attend the cascaded plan accordingly. The discussion among branch managers and other staff members has strong impact to accomplish the planned target as 40% the respondents strongly agree. 32% of the respondent believes that the targeted planned should be developed by experts who have good understanding on banking operation.

#### 4.5. Effect of Performance Management System on Employee Performance

<b>Table 4 The Effect of Performance Management system on Employee Performance</b>		1	2	3	4	5
11	Performance management system encourage me to accomplish my task effectively	11%	13%	21%	42%	13%
12	I'm more focused to work towards my performance targets rather than the banks strategic goals	14%	19%	17%	42%	8%
13	If I don't agree with performance management system score, there is an appeal process	38%	15%	18%	12%	17%
14	Performance management system makes me better understand what I should be doing	21%	17%	47%	8%	7%
15	I regularly use performance management system as a decision making tool in my work.	24%	10%	41%	13%	12%
16	Performance management system influences my individual performance positively	21%	17%	14%	45%	3%
17	My individual Performance is valuable more than anything to the overall performance of the bank	10%	15%	20%	49%	6%
18	I try to understand the Performance targets of my subordinates	7%	39%	20%	19%	15%
19	The mere presence of performance management targets limited my ability to work flexibly	13%	16%	11%	40%	20%

Source; own survey 2021

The above table clearly indicates that (42%) of the respondent positive accepted that performance management system encourages them to accomplish their task with additional effort since it has pushing factor. On the other hand 42% of the respondent believes that the PMS has a direct impact to focus on specific individual targets rather than other organizational other activities such as projects that increase the efficiency of the bank. 38% of the respondent further confirmed that there is less room to present appeal if there is an attainment of lower score. Focusing on attainment of individual performance has positive attitude to achieve their goals as 45% of the results reflects. This can be witnessed also on our nearby branches competing among themselves to approach same customers which indicate that there is a gap on corporate thinking of our branches.

#### 4.6. Effect of reward system on employee performance

<b>Table 5 The Effect of Reward Systems on Employee Performance</b>		1	2	3	4	5
20	The performance management system in my organization reward good performance and discourage poor performance	13%	17%	6%	38%	26%
21	The rewards provided by my organization motivate me to exert more effort in my work	5%	24%	20%	32%	19%
22	I would prioritize strategic activities of the bank than my performance targets requirements	12%	17%	44%	8%	19%
23	The bank influenced my productivity by linking reward and promotion with performance targets	10%	17%	24%	39%	10%
24	The rewards motivate me to be timely in completing my duties	3%	21%	13%	55%	8%
25	The rewards are varied but satisfactory	8%	14%	17%	43%	18%
26	Reward opportunities encourage staff to be creative in accomplishing tasks	15%	20%	7%	36%	22%
27	In my branch, everyone is focused on accomplishment of their performance targets for their own benefits	12%	4%	20%	42%	22%
28	Appreciation by managers increases my satisfaction at work.	13%	17%	38%	17%	15%
29	Rewards for my performance are neither fair nor reflective of my overall effort	9%	15%	60%	13%	3%

Source; own survey 2021

The third object question is designed to answer the effect of reward systems on employee performance. Accordingly, 38% the respondents confirmed that the performance management system reward those employees achieve their target whereas discourage poor performance. Additionally, 32% of the respondent believes that the rewards provided by the bank motivate them to exert more effort in their work. Furthermore, 43% of the respondent confirmed that the rewards are varied based on top, middle and lower level position but it is satisfactory and they confirmed also reward creates opportunities, encourage staff to be creative in accomplishing their tasks. Moreover, 42% of the respondent believes that the rewards motivate them to accomplish their task timely. However, duet to unfair allocation of rewards, staffs are consider it as neither fair nor reflective their overall effort.

#### 4.7. The Effects of Performance feedback on employee Performance

<b>Table 6 The Effect of Performance Feedback on Employee Performance</b>		1	2	3	4	5
30	Manager/Supervisors gives me fair feedback on my performance	10%	15%	49%	19%	7%
31	Manager/Supervisors discusses job performance result regularly	6%	20%	43%	17%	14%
32	Feedback received from manager/supervisors has a direct impact to improve my effort	12%	15%	16%	51%	6%
33	Feedback is emphasize for good performers than criticizing the poor ones.	12%	37%	18%	7%	26%
34	I agreed with the feedbacks receive from managers/supervisors against actually achieved	10%	40%	16%	5%	29%
35	Feedback received by subordinates for their performance is fair compared to their effort	21%	54%	10%	13%	2%
36	Feedback generated by performance Management system is reflective of my effort	20%	47%	14%	7%	12%

Source; own survey 2021

The fourth pillar the research objective is to verify and answer Effect of Performance Feedback on Employee Performance. Accordingly, 49% of the respondent are neutral that their supervisors are not discusses on feedback on my performance regularly. Moreover, 51% of the respondent confirmed that feedback received from manager/supervisors has a direct impact to improve their effort. As discusses earlier, the system should requires update regularly due to this fact employees have no confidence on the feedback generated by performance Management system.

#### 4.8. Perception on Improvements of Performance Management System

There is a negative perception the employees have concerning Performance Management System. They believe that the system is influenced by subjectivity, according to the investigation done by (Newel, 2000) concerning the perception that employees have of performance management system. There is very little employee involvement in formulating criteria, agreeing performance standards and objectives when designing performance systems. Management selects a few top representatives to develop the system in the absence of staff.

The final objective question to be accessed is regarding management perception on improvements of performance management system. Accordingly, 38% of the respondent affirms that the scorecard/parameters are not aligned with their current duties and responsibilities which indicate that

there is a gap on result achievement on the system. Furthermore, 41% of the respondent confirmed that the scorecards are not review considering with the implementation of new products which also implies that the product development team should have to work closely with the HR directorate to rectify the gap.

<b>Table 8 perception on Improvements of Performance Management System</b>		1	2	3	4	5
37	The PMS parameters (scorecard) are aligned with my current duties and responsibilities	17%	38%	26%	6%	13%
38	The bank timely review the scorecard considering the implementation of new products	16%	41%	15%	13%	15%
39	The existing PMS builds strong sprit of team work	10%	44%	17%	12%	17%
40	The PMS take in to account the quality of service	13%	48%	22%	16%	1%
41	The PMS requires Regular updates	3%	15%	17%	45%	20%
42	The PMS criteria is well aware by all bank unites	4%	21%	39%	13%	23%
43	Staff are willing to be assessed by the existing PMS criteria	19%	10%	23%	43%	5%

Source; own survey 2021

Moreover, 44% of the respondent confirmed that the PMS parameters lack team sprit scorecard criteria which also derive employees to focus on individual effort. Additionally, the findings reveals that 48% of the respondent noted that the PMS does not take in to account the quality of service, it give sizable emphasis on quantitative results this can be witnesses from the enormous number of inactive accounts plus artificially figures which could affect management to take incorrect decision.

The other major objective question address about PMS updates and 45% of the respondent noted that it should be revised considering the bank's new product and banking sector. Moreover, 43% of the respondent agree that staff are not willing to be assessed by the existing PMS criteria this implies that there have been unnecessary pressure on the employees subsequently affect work-life balance.

#### **4.9. Discussion on findings**

The first part of the research objective is to analyze the effect of performance planning on employee's performance. Initially (45%) employees are confirmed that the consultation process in the development of the performance management system is highly appropriate. In another part of the questions, (38%) of the respondents confirmed that the performance management system process is not participatory which clearly indicates that the bank's cascade plan is entirely developed to keep the bank's interests. Similarly 40% of the result reveals that participating in the planning process motivates me highly to perform towards achievement of planned targets.

Accordingly to the findings, majority of the respondent confirmed that performance targets are set and cascaded by a person who have little knowledge on my specific work or qualification and thus in order to achieve individual targets as well as organizational strategic goals plan should be reviewed and consulted by the nearby supervisors.

The second part of the object is the effect of performance management system on employee performance and the result indicates that 123 (37%) and 88 (27%) agreed and strongly agreed respectively to the fact that performance management system has strong impact on individual performance instead of team work positively.

Based on question three, 81 (25%) percent of total employee's replied to either uncertain or agree and strongly agree from the fact regarding to low work performance due to low understanding of appraisal performance. This outcome is supported by (Kawavanagh and Brown, M., 2007) who observed that there is a positive relationship of job satisfaction with employee productivity.

The finding further reveals that the performance management system adopted by the bank does not bring synergy and team work since the financial targets are cascaded to the employees without considering groups effort as a collective. Due to this fact, the employees are focusing to achieve their quantitative target and has shown less involvement in other major activities. Moreover, the performance management system provide the opportunity for managers and employees to assess the degree to which performance goals have been achieved, engagement appraisals provide the additional opportunity to assess the extent to which employees have demonstrated behavioral engagement.

The third object question is designed to answer the effect of reward systems on employee performance. Accordingly, 38% the respondents confirmed that the performance management system reward those employees achieve their target whereas discourage poor performance. Additionally, majority of the respondent believes that the rewards provided by the bank motivate them to exert more effort in their work. Further result reveals that employees noted that the rewards are varied based on top, middle and lower level position but it is satisfactory and they confirmed also reward creates opportunities, encourage staff to be creative in accomplishing their tasks. Moreover, 32% of the respondent believes that the rewards motivate them to accomplish their task timely. However, duet to unfair allocation of rewards staffs are consider it as neither fair nor reflective their overall effort.

The fourth pillar the research objective is to verify and answer effect of performance feedback on Employee Performance. Accordingly, 49% of the respondent agree that Manager/Supervisors are not discusses on feedback on my performance regularly. Moreover, 51% of the respondent confirmed that feedback received from manager/supervisors has a direct impact to improve their effort. As discusses earlier, the system should requires update regularly due to this fact employees have no confidence on the feedback generated by performance Management system.

The final objective question to be accessed is regarding management perception on improvements of performance management system. Taking into account this fact, questioners are forwarded to HR directorate and officers who are directly responsible on the implementation of and follow-up of the performance management system. Accordingly, 38% of the respondent affirms that the scorecard/parameters are not aligned with their current duties and responsibilities which indicates that there will be a gap on result achieve on the system. Furthermore, most of the respondent noted that the scorecards are not review considering with the implementation of new products which also implies that the product development team should have to work closely with the HR directorate to rectify the gap.

Moreover, the finding on questioner three under discussion indicates that the existing PMS parameters lacks team sprit scorecard criteria which also derives employees to focus on individual effort. Additionally, the findings reveals that 48% of the respondent noted that the PMS does not take in to account the quality of service, it give sizable impasses on quantitative



results this can be witnesses from the enormous number of inactive accounts plus artificially figures which could affect the banks top management to formulate strategic plan.

The other major objective question address about PMS updates and 45% of the respondent noted that it should be revised considering the bank's new product and banking sector. Moreover, 39% of the respondent agree that staff are not willing to be assessed by the existing PMS criteria this implies that there have been unnecessary pressure on the employees subsequently affect work-life balance.

# **CHAPTER FIVE**

## **CONCLUSION AND RECOMMENDATION**

### **5.1 Introduction**

This chapter presents discussions of the key findings presented in chapter four, conclusions drawn based on such findings and recommendations on performance management systems on staff performance. This chapter is, thus, structured into short summary of the research, conclusions and recommendations.

The purpose of this study was mainly focused to examine the effect of performance management system on employee performance in AWASH BANK S.C. Therefore, the study was aimed at providing a better understanding of employees' thoughts and attitudes towards performance management system which could contribute to the tailoring of a suitable system that would have buy in from all employee as well as to provide concrete guidelines and practical steps that can be used to improve the performance management processes in AWASH BANK S.C.

The study adopted a descriptive research design. The population of interest consists of 400 staff members of Awash Bank S.C from selective Branches and Head Quarters. Data will be collected using structured questionnaires. The data will be analyzed using the Statistical Package for Social Sciences (SPSS) into frequency distribution and percentages.

The findings on how the employees interpret their experiences with the Performance Management System is that there was openness of expression. As for the attitude of the participants towards the system, the bank unites felt that a performance management system was needed, but should include the components of staff involvement during planning processes rather than developing and cascaded, rewarding high performers and correcting low performers.

On the challenges of performance management system, there was limited transparency and minimal communication. The findings concluded that a revised performance management system should close the missing gaps and have a stronger emphasis on proper communication, managing, monitoring and reporting, as well as rewarding or correcting high or low performance respectively.

## 5.2 Conclusion

Awash Bank S.C had been using a traditional performance appraisal method for a couple of years which had some gaps in measuring actual performance. In order to bridge the gaps observed, a better PMS is established to evaluate financial and non-financial performance of employees and reward them based on results. However, the effect in terms of the intended purpose has not been examined which helps the management also to review subsequently.

Accordingly, this research basically aimed to identify the list of research question which are summarized item by item hereunder

Taking into account the first objective questions and results reveals that during development of the performance planning, discussion with the employees has positive impact on the achievement of result individual as well as organizational objectives. Similarly, the finding discloses that the performance planning process is not participatory which indicates planning is prepared centrally with less involvement of the employees and requires attention of the management.

On the same understanding, the respondent affirms that participating on planning process motivate them to attend the cascaded plan accordingly. The discussion among branch managers and other staff members has strong impact to accomplish the planned target as majority of the respondents strongly agree and most of them noted the cascade plan should be developed by experts who have good understanding on branch operation.

The effect of performance management system on employee performance is also assessed and the result indicates that performance management system encourages them to accomplish their task with additional effort since it has pushing factor. On the other hand, the respondent believes that the PMS has a direct impact to focus on specific individual targets rather than other organizational objectives such as projects that increase the efficiency of the bank. Furthermore, the respondent confirmed that there is less room to present appeal if there is an attainment of lower score. Moreover, the bank's financial and non-financial targets are achieved and profit would be increased as well through supervising the whole process of performance management, such as building objectives, checking feedback and evaluating performance. Furthermore, it can be concluded that performance management system influences employee and thereby helps to encourage commitment and understanding by linking the employees' work with the organization's goals and objectives.

The effect of reward systems on employee performance is also evaluated to answer the relationship of reward on employee result. Accordingly, employees insured that the performance management system reward those employees achieve their target whereas discourage poor performance. Additionally, they discloses that the rewards provided by the bank motivate them to exert more effort in their work. Furthermore, the respondent confirmed that the rewards are varied based on top, middle and lower level position but it is satisfactory and they confirmed also reward creates opportunities, encourage staff to be creative in accomplishing their tasks and it motivate them to accomplish their task timely. However, due to unfair allocation of rewards staffs are consider it as neither fair nor reflective their overall effort.

Another critical challenges on performance feedback is that the bank is facing in the implementation of the performance management system such as poor communication of the performance feedback and to solve this problem extensive communication and marketing of the performance management system to employees and managers is compulsory. The absence of performance feedback leads to disintegration in employee attitudes towards organizational goals and objectives, which also lead to inefficiency. The performance objectives must be specific, measurable, attainable, realistic, and time-bound. Excellent communication is also vital during performance evaluation and in providing feedback to support subordinates in ensuring performance improvement, especially when the areas of weaknesses are identified. Limited transparency and minimal to communication had been raised by the respondents even some staff expressed that they were not being updated regularly and not aware for the parameters and quantitative figures that do not match with their profession .Other short comings were that less involvement of staff in decisions made that affect them and finally, the current performance management system is not tied to the merit system where there is reward for good performance and warning for non-performance even some stating that they did not understand the implication of Performance Management System.

Perception on improvements of performance management system is also evaluated. Accordingly, most of the respondent affirms that the scorecard/parameters are not aligned with their current duties and responsibilities which indicate that there is a gap on result achievement on the system. Furthermore, they confirmed that the scorecards are not review considering with

the implementation of new products which also implies that the product development team should have to work closely with the HR directorate to rectify the gap.

Additionally, the finding reveals that performance management system has strong impact on individual performance instead of team work positively. Considering the respondent feedback there will be low work performance due to short understanding of the PMS. Endorsing performance management system enhances employee performance. It involves setting individual objectives that are derived from overall organizational goals and allocating time frame for completion.

The finding further reveals that the management of Awash Bank S.C should do to improve the performance management, majority mentioned management tight on merit basis and give incentives to the best staff. Finally, it was suggested that the management of Awash Bank S.C should give promotions and have staff representatives in discussions that affect them enormously and the performance management system should not be used only for resource mobilization. Besides, it should bring harmony, team work and quality of products which entails additional customer as well as maintaining the existing one.

### **5.3 Recommendations**

Awash Bank S.C's performance management system is carried out as planned but the effect both on qualitative and quantitate is still not evaluated by the management due to information gap on criteria and lack of accuracy of the cascaded plan. Accordingly, taking in into account, the research findings, the recommendations are elaborated as follows:

- Awash Bank S.C need to maximize the use of performance management system in their respective managerial position, in order to correct the behavior of employees with low performance and make them more efficient and effective. Awash Bank S.C need to use the performance appraisal to strengthen the relationship between the superior and subordinate by implementing motivational scheme, creating transparency, avoiding bias,

and improving employees attitude by giving training and development to the employees in order to help to avoid employees' self-perceptions wrongly.

- The criteria set on the performance management system on resource mobilization (deposit and foreign currency generation) have sizable percentage coverage which is a derivative of loan portfolio. However, due to low percentage result set for asset resource, evaluators are giving minimal focus on loan collection and the bank's NPL(Non-Performing Loans) could be affected.
- A plan could be subject to revision from time to time with the participation of all internal stakeholders. The performance result of branch employees is a derivative of branch performance and therefore branches should be careful while appraising employees' performance. There could be good performing employees in underperforming branches but most employees could not be good performers in underperforming branches.
- Due to the entrance of IFB( Interest Free Banking) on the sectors, existing banks are engage themselves in opening of separate branches to serve the Muslim society but we come to understand that still the PMS criteria is designed for conventional one which should be revised accordingly.
- Employees could not be evaluated simply by opening an account for walk-in customers. Since, due to the pushing factor of the PMS criteria, the increasing number of inactive accounts are witnessed. Individual performance is based on personal efforts in marketing and attracting customers to our bank. However, there should be a group performance criteria that will create a room for team sprit.
- Sales and Marketing staffs (BDM, RO and DSR) should check and record individual efforts. Hence, branches are required to establish PMS team at branches in charge of cascading targets, monitoring progress and capturing performance data. Here care should be taken not to record false performance data.
- By focusing on quantitative aspects, qualitative aspects should not be undermined. It is the qualitative aspect, service quality that drives achievement of quantitative target. Branches should refrain from attempting “performance forgery”, we have heard that some are creating, for example, M-Wallet account without the knowledge of customers.
- It can be recommended from the study that AWASH BANK S.C should enhance the various parameters mentioned on the employee's perception towards performance

management practices and widen the scope on other parameters that may be used to gauge the levels of performance management practices by the employees. Transparency should be encouraged, performance management to be carried out regularly, perform job design in order to match staff qualifications to the right job, create job growth path for staff and orient new staff on performance management and engrave it to the organization policy.

- The Human Resource Directorate manual clearly stated that appraisers have to be trained prior to an appraisal but it is not strictly followed. Adhering to this would help both the employees and the organizations productivity. Goal setting for employees with their supervisors is not done as it should be. The first step in performance evaluation is the manager and the employee needs to set together and make setting goal.
- Providing regular feedback in a positive way and coaching helps the employee to be successful on his/her performance. And poor performer might improve their performance. So the manager or supervisors need to give extra attention on the supervisor to give continues feedback to employee.
- The bank should create transparency within the system, attaching the PMA with motivations, and providing training to both evaluator and rate can create an inviting atmosphere of working environment. In order to obtain the required result of the performance management system as intended, it should create a conducive working environment both on subordinates and supervisors, continuous and transparent evaluations of levels of employees' performance is an essential measure that needs to be taken.
- Finally, The Performance and Result Management Division should also work hand in hand with sales and marketing staff by conducting regular meetings and reviewing challenges and opportunities, and make sure that performance is progressing towards target attainment. Furthermore, HR Business Partnership Division should also work closely with operational staff in an effort to identify challenges they are having on PMS to ensure that customer service quality is improved.

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**APPENDICES**

**APPENDIX A: Letter of Introduction**

Dear Sir/Madam,

I am a Post Graduate student in **St. Mary’s University School of Graduate Studies** Masters of Business Administration. This is a questionnaire designed to collect data on the “The effect of performance management system on employee performance” which will be used as an input for a thesis in partial fulfillment of Master of Business Administration. Your genuine response is solely used for academic purpose. Therefore, your kind cooperation is appreciated in advance. Should you have any questions about this survey, please feel free to contact me at +251-911195658 or via my email address: [abrahamassefa14@yahoo.com](mailto:abrahamassefa14@yahoo.com) OR [abrahamestifanos9@gmail.com](mailto:abrahamestifanos9@gmail.com)

With regards,

Abraham Assefa

MA Student, St. Mary’s University School of Graduate Studies

**Questionnaire**

**Section I: General Information**

- 1. What is your Gender? Male  Female
  
- 2. What is your age bracket? 20-30  31-45  46-60
  
- 3. What is your Directorate/Division /Branch and title?  
.....
  
- 4. Number of years worked at AWASH BANK S.C?  
Less than 1 year  2-5 years  6-10 years   
11-15 years  16-20 years  above 21 years
  
- 5. Educational level?  
Diploma level  Masters Level   
Degree level  Above Masters level

**Section II: The Effect of Performance Planning on Employee Performance**

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5 Where 1 =Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree 5 =strongly agree,

Statement		1	2	3	4	5
6	The consultation process in the development of the performance planning is highly appropriate					
7	The performance planning process is participatory					
8	Participating in the planning process motivates me highly to perform towards achievement of planned targets					
9	The discussions between branch managers and subordinates are appropriate for accomplishment of planned targets					
10	Frankly, I don't like my performance targets as they are imposed by a person who have little knowledge on my specific work or qualification					

**Section III: The Effect of Performance Management system on Employee Performance**

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5 Where 1 =Strongly disagree, 2 = Disagree, 3 = Neutral, 4 =Agree 5 =Strongly agree,

Statement		1	2	3	4	5
11	Performance management system encourage me to accomplish my task effectively					
12	I'm more focused to work towards my performance targets than the banks strategic goals					
13	If I don't agree with performance management system score, there is an appeal process					

	<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
14	Performance management system makes me better understand what I should be doing					
15	I regularly use performance management system as a decision making tool in my work.					
16	Performance management system influences my individual performance positively					
17	My individual Performance is valuable more than anything to the overall performance of the bank					
18	I try to understand the Performance targets of my subordinates					
19	The mere presence of performance management targets limited my ability to work flexibly					

#### **Section IV: The Effect of Reward Systems on Employee Performance**

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5 Where 1 =strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree 5 =strongly agree,

	<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
20	The performance management system in my organization reward good performance and discourage poor performance					
21	The rewards provided by my organization motivate me to exert more effort in my work					
22	I would prioritize strategic activities of the bank than my performance targets requirements					
23	The bank influenced my productivity by linking reward and promotion with performance targets					
24	The rewards are varied but satisfactory					
25	The rewards motivate me to be timely in completing my duties					

	<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
26	Reward opportunities encourage staff to be creative in accomplishing tasks					
27	In my branch, everyone is focused on accomplishment of their performance targets for their own benefits					
28	Appreciation by managers increases my satisfaction at work.					
29	Rewards for my performance are neither fair nor reflective of my overall effort					

**Section V: The Effect of Performance Feedback on Employee Performance**

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5 Where 1 =strongly disagree, 2 = Disagree, 3 = Neutral, 4 =Agree 5 =strongly agree,

	<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
30	Manager/Supervisors gives me fair feedback on my performance					
31	Manager/Supervisors discusses job performance result regularly					
32	Feedback received from manager/supervisors has a direct impact to improve my effort					
33	Positive feedback is emphasize for good performers than criticizing the poor ones.					
34	I agreed with the feedbacks receive from managers/supervisors against actually achieved					
35	Feedback received by subordinates for their performance is fair compared to their effort					
36	Feedback generated by performance Management system is reflective of my effort					

**Section VII: Perception on Improvements of Performance Management System**

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5 Where 1 =strongly disagree, 2 = Disagree, 3 = Neutral, 4 =Agree 5 =strongly agree,

<b>Statement</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
37	The PMS parameters (scorecard) are aligned with my current duties and responsibilities.					
38	The bank timely review the scorecard considering the implementation of new products					
39	The existing PMS builds strong sprit of team work					
40	The PMS take in to account the quality of service					
41	The PMS requires Regular updates					
42	The PMS criteria is well aware by all bank unites					
43	Staff are willing to be assessed by the existing PMS criteria					



## APPENDIX B: Answer to Questionnaire

The Effect of Performance Planning on Employee Performance		1	2	3	4	5
6	The consultation process in the development of the performance planning is highly appropriate	33	159	84	55	25
7	The performance planning process is participatory	41	136	47	79	53
8	Participating in the planning process motivates me highly to perform towards achievement of planned targets	65	81	50	123	37
9	The discussions between branch managers and subordinates are appropriate for accomplishment of planned targets	58	44	63	48	143
10	Frankly, I don't like my performance targets as they are imposed by a person who have little knowledge on my specific work or qualification	53	88	67	91	57
The Effect of Performance Management system on Employee Performance						
11	Performance management system encourage me to accomplish my task effectively	72	61	119	57	47
12	I'm more focused to work towards my performance targets than the banks strategic goals	50	68	59	148	31
13	If I don't agree with performance management system score, there is an appeal process	137	54	63	41	61
14	Performance management system makes me better understand what I should be doing	76	59	169	29	23
15	I regularly use performance management system as a decision making tool in my work.	87	34	147	45	43
16	Performance management system influences my individual performance positively	74	62	49	161	10
17	My individual Performance is valuable more than anything to the overall performance of the bank	37	53	71	173	22
18	I try to understand the Performance targets of my subordinates	26	138	72	66	54
19	The mere presence of performance management targets limited my ability to work flexibly	47	58	39	144	68

		1	2	3	4	5
	The Effect of Reward Systems on Employee Performance					
20	The performance management system in my organization reward good performance and discourage poor performance	47	59	21	137	92
21	The rewards provided by my organization motivate me to exert more effort in my work	19	84	71	113	69
22	I would prioritize strategic activities of the bank than my performance targets requirements	44	62	156	26	68
23	The bank influenced my productivity by linking reward and promotion with performance targets	37	59	85	139	36
24	The rewards motivate me to be timely in completing my duties	11	74	47	196	28
25	The rewards are varied but satisfactory	30	49	153	59	65
26	Reward opportunities encourage staff to be creative in accomplishing tasks	53	70	27	129	77
27	In my branch, everyone is focused on accomplishment of their performance targets for their own benefits	42	15	72	79	148
28	Appreciation by managers increases my satisfaction at work.	44	61	137	59	55
29	Rewards for my performance are neither fair nor reflective of my overall effort	31	212	55	46	12
	The Effect of Performance Feedback on Employee Performance					
30	Manager/Supervisors gives me fair feedback on my performance	37	54	173	67	25
31	Manager/Supervisors discusses job performance result regularly	19	70	154	62	51
32	Feedback received from manager/supervisors has a direct impact to improve my effort	48	55	182	53	18
33	Positive feedback is emphasize for good performers than criticizing the poor ones.	44	131	65	24	92
34	I agreed with the feedbacks receive from managers/supervisors against actually achieved	37	143	57	17	102
35	Feedback received by subordinates for their performance is fair compared to their effort	73	195	34	47	7
36	Feedback generated by performance Management system is reflective of my effort	71	167	51	26	41

		1	2	3	4	5
Perception on Improvements of Performance Management System						
37	The PMS parameters (scorecard) are aligned with my current duties and responsibilities	61	134	91	22	48
38	The bank timely review the scorecard considering the implementation of new products	58	146	52	47	53
39	The existing PMS builds strong sprit of team work	34	61	157	43	61
40	The PMS take in to account the quality of service	46	171	77	58	4
41	The PMS requires Regular updates	9	52	61	162	72
42	Staff are willing to be assessed by the existing PMS criteria	66	37	81	155	17
43	The PMS parameters (scorecard) are aligned with my current duties and responsibilities.	42	77	133	53	51

**APPENDIX C: Sample PMS**

Sr. No.	Process /Activity	Name of Report or Activity to be done	Process Outcome or Result	Key Performance Indicator /KPI/	Measure(s)	Target	Actual	Weight	Achievement	Score
1	1.1. Credit Risk Management process	NPL Reducing action by Portfolio Mgt. Unit	Lower level NPL Ratio	NPL Ratio	NPL as a percentage of total loans and advances	5%		15%		
	1.2. Loan Amounts under NPLs regularize	NPL Reducing action by Portfolio Mgt. Unit	Percentage of NPLs loan amount regularized through cash collection out of the total portfolio under his/her supervision	NPL Percentage	% age of loan amount regularized through cash collection from total portfolio under his/her supervision	1.5%		10%		
		NPL Reducing action by Portfolio Mgt. Unit	Percentage of NPLs loan amount regularized through rescheduling, foreclosure and litigation process out of the total portfolio under his/her supervision	NPL Percentage	% age of loan amount regularized through workout from total portfolio under his/her supervision	1.5%		5%		
2	2.1. Reporting	Sectorial loans & Advances Report to NBE/monthly	Preparing, reviewing and delivering report	Time required for preparing , reviewing and delivering regulatory report	delivery time	10 days		15%		
		Loans & Advances Portfolio Report to NBE/monthly	Preparing, reviewing and delivering report	Time required for preparing , reviewing and delivering regulatory report	delivery time	10 days				

	Borrowers that exceed 10% & related party report/monthly	Preparing, reviewing and delivering report	Time required for preparing , reviewing and delivering regulatory report	delivery time	10 days			
	Average Recovery Rate (ARR) per Quarterly & Inter-bank lending or borrowing report/monthly	Preparing, reviewing and delivering report	Time required for preparing , reviewing and delivering regulatory report	delivery time	10 days			
	Loans & Advances Portfolio Report to NBE/monthly	Preparing, reviewing and delivering report	Time required for preparing , reviewing and delivering regulatory report	delivery time	15 days			
	Credit Provision report/quarterly	Preparing, reviewing and delivering report	Time required for preparing , reviewing and delivering regulatory report	delivery time	15 days			
	Borrowers of Building & Construction report/quarter	Preparing, reviewing and delivering report	Time required for preparing , reviewing and delivering regulatory report	delivery time	15 days			
	Top 20 Borrowers & Top 10 NPLs to NBE/quarter	Preparing, reviewing and delivering report	Time required for preparing , reviewing and delivering regulatory report	delivery time	15 days			

	2.2. Reporting	Various reports for Risk Mgt Directorate & Loan Review Committee	Preparing, reviewing and delivering report	Time required for preparing, reviewing and delivering quarterly report for Ent. Risk & Compliance Mgt. and Loan Review Committee	delivery time	20 days		15%		
	2.3. Reporting	Various Credit reports for Mgt Consumption	Preparing, reviewing and delivering report	Time required for preparing , reviewing and delivering monthly and quarterly management report	delivery time	15 days		15%		
3	Loan accounts classification and reporting	Loan accounts classification and reporting	Properly classifying the loan accounts in to its respective asset classification categories as per NBE directives	Number of Accounts	Number of loan accounts wrongly classified to NPL	Zero error		15%		
4	Preparing, delivering true and reliable reports	Preparing, delivering true and reliable reports	Producing and providing true and reliable information to the concerned organs	Number of report	Number of report found unreliable and trigger the bank to penalty	Zero Error		10%		
	<b>Aggregate</b>							<b>100%</b>		