



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

**THE PRACTICES OF PERFORMANCE PLANNING AND  
EVALUATION SYSTEM AT MOHA SOFT DRINKS INDUSTRY  
S. C. TEKLEHAIMANOT PLANT**

**BY  
AYANTU DEGA**

**NOVEMBER 2013  
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY COLLEGE,  
SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT  
OF THE REQUIREMENTS FOR THE DEGREE OF MBA (HRM  
CONCENTRATION)**

**NOVEMBER, 2013  
ADDIS ABABA, ETHIOPIA**

**ST.MARY'S UNIVERSITY COLLEGE  
SCHOOL OF GRADUATE STUDIES  
FACULTY OF BUSINESS**

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## TABLE OF CONTENTS

Acknowledgements	i
List of Tables	ii
List of Figures	iii
Acronyms	iv
Abstract	v
<b>Chapter One</b>	
<b>Introduction</b>	1
1.1 Background of the study	1
Background of the organization under study	3
1.2 Statement of the problem	4
1.3 Basic Research questions	4
1.4 Objectives of the study	5
1.5 Significance of the study	5
1.6 Scope of the study	5
1.7 Limitations of the Study	6
<b>Chapter Two</b>	
<b>Review of Related Literature</b>	7
2.1 What is performance management?	7
2.2 Purposes of performance management system	9
2.3 Performance Planning	10
2.4 Components of Performance Planning	14
2.5 What is the measure for performance?	15
2.6 Performance evaluation/appraisal	17
2.7 When and how often should performance be evaluated?	18
2.8 Who is responsible for performance measurement?	19
2.9 Methods of performance measurement	22
2.10 Problems in performance Evaluation	24

2.11 Characteristics of an effective appraisal system	25
<b>Chapter Three</b>	
<b>Research Design and Methodology</b>	27
3.1 Research design	27
3.2 Population and sampling techniques	28
3.3 Sources of data	29
3.4 Tools of data collection	29
3.5 Procedures of data collection	29
3.6 Methods of data analysis	30
<b>Chapter Four</b>	
<b>Results and Discussions</b>	31
4.1 Organizational business facts	31
4.2 Demographic information of respondents	32
4.3 Analysis of data pertaining to the study	34
4.3.1 Assessment of employees' organizational awareness	35
4.3.2 Assessment of employees' job descriptions	36
4.3.3 Assessment of performance planning process	38
4.3.4 Assessment of strategic alignment of performance plans	41
4.3.5 Identification of performance measurement criteria	43
4.3.6 Assessment of performance appraisal process	44
4.3.7 Purposes of performance appraisal system	50
4.3.8 Assessment of the Acceptability and sensitivity of the appraisal system	52
4.3.9 Challenges and problems in the performance planning and appraisal processes and improvements required	53
<b>Chapter Five</b>	
<b>Summary, Conclusions and Recommendations</b>	57
5.1 Summary of Major Findings	57
5.2 Conclusions	59
5.3 Recommendations	60
References	62
Appendices	64

## **ACKNOWLEDGEMENTS**

First and foremost I would like to thank God Almighty for granting me this opportunity and giving me the strength to reach here.

I am grateful to my Father, Mother and my three Brothers for their continued support and encouragement as well as guidance and unreserved kindness in assisting and guiding me throughout my studies. My special thanks to my youngest brother Ato Hundaol Dega who has always been there to support and protect me.

I would also like to thank Dr. Alexandros Makarigakis for granting me flexible working hours and for his support to ensure that I pursue my studies without interruption.

My appreciation and gratitude to the staff of MOHA Teklehaimanot Plat for their kindness and cooperation they have extended to me in providing information necessary for the completion of my research work. I am most grateful to Ato Markos Belay, for his unreserved kindness, dedicated support and facilitation of communication with relevant personnel that made the completion of this study possible. I am also grateful for Ato Mulugeta Tadesse and Ato Endalkachew Tibebe for their valuable time and kind cooperation in providing me information and documents necessary for my study.

Finally, I would like to thank my Advisor Ato Goitom Abreham (Assit. Prof.) for his valuable advice, constructive comments and guidance he has given me in the conduct of my research work. Without his support and guidance, the finalization of this study paper would not have been possible.

## LIST OF TABLES

Table 4.1 – Head Count in Teklehaimanot Plant	31
Table 4.2 (a) – Summary of respondents by age and Gender	32
Table 4.2 (b) – Summary of respondents by marital status and tenure with the company	32
Table 4.2 (c) – Summary of respondents by functional role and educational background	33
Table 4.2 (d) – Summary of respondents by employment category	34
Table 4.3.1 – Employees’ organizational and task knowledge	35
Table 4.3.2 – Perception of employees on their job descriptions	36
Table 4.3.3 (a) – Respondents’ views on individual performance planning practices in the plant	38
Table 4.3.3 (b) – Respondents’ views on team performance planning process in the plant	40
Table 4.3.4 – Alignment of organizational objectives and individual plans	41
Table 4.3.5 – Respondents’ perception on the performance measurement criteria employed by the plant	43
Table 4.3.6 (a) – Respondents’ views about feedback on their performance	45
Table 4.3.6 (b) – Respondents’ views on the way appraisal sessions are conducted	47
Table 4.3.6 (c) – Respondents’ perception on the performance appraisal Knowledge and capability of their supervisors	49
Table 4.3.7 – Purposes of performance appraisal according to respondents	50
Table 4.3.8 – Employees perception about the Sensitivity and acceptability of the plant’s appraisal system	52
Table 4.3.9 – Respondent’s views on problems and challenges and improvements required in the performance planning and appraisal system in the plant	54

## **LIST OF FIGURES**

Figure 1 - The performance Management Sequence	8
Figure 2 – Relationships of Job Analysis, Performance Standard and Performance Appraisal	13



## ACRONYMS

MOHA – Mohammed Hussien Al-Amoudi

## **ABSTRACT**

*Human resources are the biggest asset in any organization and effective management of this resource plays a major role in achieving organizational objectives. Performance management is a continuous process. It helps in identifying, measuring, developing the performance of individuals and teams and aligning performance with strategic objectives of an organization. This research is conducted with the objective of assessing, evaluating and examining the performance planning and evaluation phases of the performance management process at MOHA Soft Drinks Industry S.C. at Tekelehairmanot Plant located in Addis Ababa. The research applied the survey method to collect data from members of the population under the study. Primary data was collected from a sample of 125 respondents selected randomly through distribution of hand delivered questionnaires coupled with an interview held with supervisors. Both qualitative and quantitative data were used for the study. Secondary data, obtained from company documents and publications, was used to supplement information obtained from primary source. Data was analyzed quantitatively using descriptive statistics. Qualitative data were categorized and analyzed systematically to come to useful conclusions and recommendations. Results of the study indicate that the current practice in the performance planning process at the plant is weak and lacks open discussion between supervisors and employees. The performance appraisal system is also criticized and perceived by employees as being ineffective in differentiating good performers from poor performers and unable to contribute towards individual performance improvement as well as achievement of the plants objectives. The human resource department at the plant shares the critics and concerns of employees and is determined to bring change to the current practices. There is a misunderstanding among both supervisors and employees and the appraisal is used by supervisors to harm employees and employees focus on scoring higher rankings for salary increment. The situation calls for the design and implementation of performance management system as well as serious trainings to all employees to raise awareness, build capacities and gear objectives towards improvement of performance and better productivity instead of some non-job related meaningless numbers assigned on the evaluation forms.*

# CHAPTER ONE

## INTRODUCTION

This chapter deals with an introduction of performance management, what it consists of and gives a brief summary of studies carried out in the area. It also gives the background of the organization under study.

### 1.1 Background of the study

Today's business environment is changing in many ways. One of the most noticeable changes is the fast move towards an international market place. According to Kumar (2006, 6), the human assets are going to play major role in driving the 21<sup>st</sup> century organizations. This shows that human resources are the most important resource for an organization. Thus, managing these resources effectively is crucial in achieving organizational objective.

Performance management is a method used to measure and improve the effectiveness of people in the work place Harvard Business Essentials (2006, xi). A performance management system consists of the processes used to identify, encourage, measure, evaluate, improve, and reward employee performance at work. According to Mondy, Noe and Premeaux (1999, 337), performance management is described as a three step process:

- 1) Performance planning by managers and employees for determining performance expectations;
- 2) Performance coaching, which is an ongoing process throughout the appraisal period;
- 3) Performance review, a formal step that results in the individual and/or team evaluation.

According to Markus (2004), research consistently indicates that most performance management systems are of poor quality and poorly executed. In various surveys, the common problems in a performance management system are found to be flaws in design and lack of credibility. In most cases, the connection between individual objectives and organizational values, goals and strategies were not made. A survey carried out in the US, on the feelings of employees about

performance appraisal, indicated that 70-80% disagreed that their review helped them to improve personal performance. In addition, many performance management systems do not have objective measurement systems; instead rely on opinions of supervisors and in some cases peers, which are subject to bias. In this regard, the survey showed that over 60% of the employees felt that their performance management system did not provide honest feedback or set clear goals (Markus, 2004).

In India, a review of employee engagement data, from more than 50,000 employees who worked in 22 companies in 10 major industry sectors, to investigate the reason for a wide variation in employee performance, revealed that more than half of the employees (54%) felt that their company's performance management system was not effective (Oberoi and Rajgarhia, 2013).

In Ethiopia, several surveys and academic researchers have been carried out on various public and private organizations with regards to the challenges and practices of employee performance/appraisal system. However, according to Abay (2010), research on performance management and capacity building is still somewhat limited within the African context.

Hailesilasie (2009), in a survey he conducted to explain the determinants of performance in Ethiopian public organizations using primary data collected from 100 respondents, concluded that, an increase in role perception i.e. knowledge of what, how and why to do a given job, has a strong and positive impact on individual performance.

The researcher believed that MOHA Soft Drinks Industry S.C Teklehaimanot Plant would not be different. Following an informal discussion with some employees of MOHA at Teklehaimanot Plant, the researcher learned that employees perceive that the performance management system fails to differentiate good performers from poor performers. In addition, to the best knowledge of the researcher, no study had been carried out before in this regard. Thus, the researcher believed that it was worth undertaking the study. The research tried to assess the current practices of performance planning and evaluation processes at MOHA Soft Drinks Industry Teklehaimanot Plant.

## **Background of the Organization under Study**

Nifas Silk Pepsi Cola, in Ethiopia, is the first Pepsi Cola plant in Ethiopia and was established in 1966 as a share company with an initial capital of 1 million Birr. The capacity of the bottling line at that time was 20,000 bottles per hour (bph). In 1986, the plant was renovated and expanded to a capacity of 50,000 bph with twin fillers. Total renovation and expansion investment cost was Birr 6,647,944.00.

Teklehaimanot Pepsi Cola Plant was established in 1961 as “Saba Tej” Share Company but nationalized in 1975 replacing the old line and started producing Pepsi cola, Mirinda and Team brands in January 1978.

Mohammed Hussein Al-Amoudi (MOHA) Soft Drinks Industry S.C. was formed and registered under the commercial code of Ethiopia on the 15<sup>th</sup> of May 1996. This company was formed after the acquisition of four Pepsi Cola plants located at Addis Ababa (Nefas Silk & T/Haimanot), Gondar and Dessie which were purchased by Sheik Mohammed H. Al-Amoudi on the 18<sup>th</sup> of January 1996, through BID which was tendered by Ethiopian Privatization Agency. The hand-over of the factories was finalized on the 4<sup>th</sup> of April 1996.

The business purposes of MOHA Soft Drinks Industry S.C. as stipulated in the memorandum of Association are:

- a) To manufacture, buy, sell, bottle, distribute and otherwise deal in non-alcoholic beverages, mineral and aerated waters and the ingredients thereof in Ethiopia and elsewhere.
- b) To manufacture, sell and distribute bottles, corks, corkscrews and all type of crates.
- c) To manufacture, sell and distribute carbon dioxide.
- d) To invest in other business enterprises, to establish and manage in Ethiopia or abroad, such subsidiaries, branches or agencies as may be deemed desirable.
- e) And generally, to carry on and engage in other activities which the Company may deem necessary incidental or related to the attainment of any of the above purposes. (Source: MOHA Employees Hand Book)

## **1.2 Statement of the Problem**

Informal discussion with some employees of MOHA Soft Drinks Industry S.C. Teklehaimanot Plant revealed that there are some gaps in the performance management system. Specifically, the researcher was able to understand the following:

- a) Employees complain of not being engaged in the performance planning process and this has resulted in resistance in accepting performance ratings given by supervisors;
- b) Employees feel that the appraisal system did not help them in improving their personal performance;
- c) The appraisal system lacks objectivity as some supervisors tend to give higher ratings to poor performers not only for fear of causing damage to the employee but also to avoid confrontation;
- d) Employees perceive that the current practice in employees' performance management fails to differentiate good performers from poor performers;

In addition, to the best knowledge of the researcher, no study has been carried out previously in this regard. Thus, the researcher believed that it was worth undertaking the study. Therefore, this research paper tried to assess the practices of performance planning and evaluation processes at the plant. In light of literature review, the research also tried to make a comparison between the theoretical aspects of performance planning and evaluation system and the existing practices in the company, to identify gaps.

## **1.3 Basic Research Questions**

This research paper tried to answer the following basic research questions:

- 1) What are the purposes of the performance planning and evaluation system in place at MOHA Soft Drinks Industry S.C. Teklehaimanot Plant?
- 2) What are the criteria for measuring performance?
- 3) What have been the practical benefits of the performance evaluation system?
- 4) What are the challenges in performance planning and evaluation?

## **1.4 Objectives of the Study**

The general objective of this study was to assess the performance planning and evaluation processes at MOHA Soft Drink Industry S.C Teklehaimanot Plant.

The study discussed the theoretical aspects of performance management particularly the planning and evaluation phases and attempted to make analysis by making comparison with the current practices in MOHA Teklehaimanot Plant. Specifically, the objectives of the study included the following:

- To find out the purposes of the performance planning and appraisal system at MOHA Teklehaimanot Plant;
- To identify the performance measurement criteria;
- To assess the practical implications (benefits/consequences) of the appraisal system so far;
- To study the challenges in the performance planning and appraisal system;

## **1.5 Significance of the Study**

This research was the first study carried out to assess the practices of the performance planning and evaluation processes at MOHA Teklehaimanot Plant. Thus, it will have a practical significance as it informs decision makers and others concerned about the strengths and weaknesses of the performance planning and appraisal system. The management will benefit from the recommendations of this study. In addition, the study could also serve as a basis to pursue further studies on the area.

## **1.6 Scope of the Study**

Performance management is a broad concept and a continuous process that deals with the identification, measurement and development of the performance of individuals and teams by aligning performance with the strategic goals of the organization. The researcher, being a

student of human resource management, and taking into account the broad nature of performance management, this research was delimited to focus only on individual performance planning and evaluation aspects of performance management process.

### **1.7 Limitations of the Study**

The present study mainly relied on quantitative data obtained from a sample of respondents of the population under study through distributed questionnaires and thus is limited in showing the detailed reasoning behind each response. Thus, a focus group discussion as well as interview with more departmental heads and supervisors is believed to assist in further elaborating the views and perception of employees on the existing performance planning and evaluation processes and practices in place at the plant. A further study coupled with a review of past performance plans and evaluations done for individual employees as well as departments/units will be helpful to better assess gaps and challenges in the system.



## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

This chapter defines performance management and makes a summary of literatures on performance planning and evaluation phases of a performance management system.

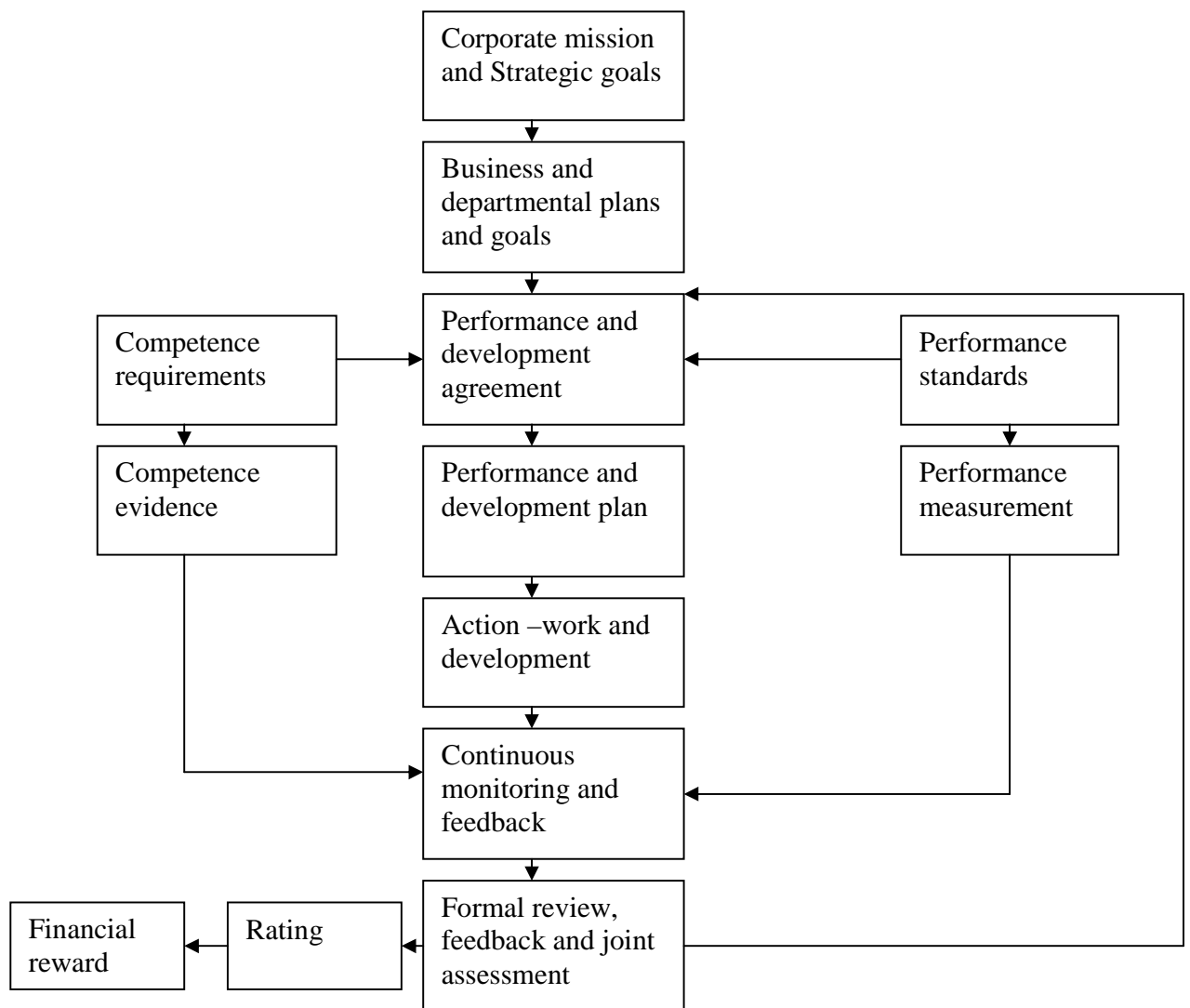
#### 2.1 What is Performance Management?

*“Organization performance, in basic terms, is the actual output or results of an organization as measured against its intended outputs or goals and objectives. Performance management is the foundation of any organization that has a vision and knows where they want to be in the near and long term future”* Lifecycle Performance Professionals (2009).

According to Armstrong and Baron (2003, 1), performance management is a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributions.

Similarly, the Association of Chartered Certified Accountants (ACCA) defined the performance management process as *“A cyclical process organizations adopt to assess and develop employees to ensure effective contribution to organizational objectives”* ([www.accaglobal.com](http://www.accaglobal.com)). According to ACCA, the process of performance management normally includes setting objectives for employees to achieve, rating the performance against set objectives and outlining future development activities to assist with achieving objectives.

Thus, it is possible to conclude that a performance management is an endless process that aims to bring the best out of people for the success and achievement of organizational objectives, and continues to exist as long as an organization continues to be operational. In this regard, the main actors are the human assets as no best system would bring success unless it is owned and implemented by people.



**Figure 1 - The Performance Management Sequence (Source: Armstrong & Baron, 2003)**

In general, the broad process of performance management requires that three things be done: 1) Defining performance; 2) Facilitating performance; 3) Encouraging performance Cascio (2003, 331). According to Cascio, (2003, 331 – 333), a manager who creates a performance definition ensures that individual employees or teams know what is expected of them and that they stay focused on effective performance. A manager does this by paying careful attention to goals,

measures and assessment, eliminating roadblocks to successful performance through performance facilitation and encouraging performance especially repeated good performance by providing a sufficient amount of rewards that employees really value in a timely and fair manner. According to Aguinis (2007, 29) there are two important prerequisites prior to implementation of a performance management system:

- 1) Knowledge of the organization's mission and strategic goals which is the result of strategic planning and
- 2) Knowledge of the job in question

On the other hand, Armstrong and Baron (2003, 51) said *“two simple propositions i.e. the knowledge and understanding of people of what is expected of them and the capacity to meet these expectations, provide the foundation upon which performance management is built. These propositions, imply that the basic aims of performance management are to share understanding about what is to be achieved, to develop the capacity of people and the organization to achieve it, and to provide the support and guidance individuals and teams need to improve their performance”*.

From the strategic objectives of an organization, one can understand the purpose or the reason for the existence of the organization, where it wants to go in the future and how it intends to achieve these objectives. Accordingly, strategy can be cascaded down to departmental and unit level on the basis of the strategic planning. *“Strategic planning is the process of determining a company's long-term goals and then identifying the best approach for achieving them”* Lifecycle Performance Professionals (2009). Having a clear knowledge of the job in question helps to avoid confusion as to what each employee needs to do to help the organization get there. Thus, it is important to fulfill these requirements prior to implementation of a performance management system in order to ensure application of the right and suitable system for the organization.

## **2.2 Purposes of Performance Management System**

According to Aguinis, (2007, 13 - 15), a performance management system can serve the following six purposes:

**Strategic Purpose:** A performance management system helps top management to achieve strategic business objectives by linking the organization's goals with individual goals.

**Administrative Purpose:** A performance management system provides a legal and formal organizational justification for employment decisions to promote outstanding performers; take measures on low or bad performers; to train, transfer, or discipline others; to justify merit increases or no increases; and as one basis for reducing the size of the workforce.

**Informational Purpose:** A performance management system serves as an important communication device. It communicates to employees what is expected of them and against what their performance will be evaluated. It provides feedback to employees therefore serve as vehicle for personal and career development.

**Developmental Purpose:** Feedback is an important component of a well implemented performance management system. Once the development needs of employees are identified, a performance management system can help establish objectives for training programs in areas in which an employee has a deficiency or weakness.

**Organizational Maintenance Purpose:** A performance management system provides information to be used in workforce planning, assessing future training needs, evaluating performance achievements at organizational level and evaluating the effectiveness of human resource interventions.

**Documentation Purpose:** A performance management system allows organizations to collect useful information that can be used for several documentation purposes. Because documentation issues are prevalent in today's organizations, human resource management must ensure that the evaluation systems used support the legal needs of the organization.

## **2.3 Performance Planning**

The first stage of the process is planning. Planning consists of setting goals, objectives, standards and direction. The performance plan identifies what is expected (accountabilities); how the job should be accomplished (competencies); and professional development goals. Plans should be updated at least annually, and, if job responsibilities/priorities change, more frequent revisions are appropriate. The planning stage consists of the development of the performance plan,

discussion of the plan by employee and supervisor, and updating the plan as priorities and goals change for either the employee and/or the organization.

According to Cardy (2004, 7), effective management of performance first requires a solid understanding of the performance domain that is what are the duty areas and tasks that are part of the job. The technique used to identify what a job consists of is called job analysis. According to Belcourt and McBery (2003, 112), knowledge of the job analysis process and methods of evaluating jobs are essential components in the formulation of a successful HR planning. A job analysis refers to the analysis of subdivided work in the organization both at the level of the individual job for the entire flow of the production process. The result of a job analysis is a job specification which emphasizes on the identification of competencies the jobholder must possess to be a successful performer in the job and a job description which emphasizes on the duties or tasks to be carried out on the job. Both job description and job specification are the written outcomes or documents produced by the job analysis process Belcourt et al. (2003, 112 - 113). Job descriptions are a key prerequisite for any performance management system because they provide the criteria that will be used in measuring performance Aguinis (2007, 35).

According to Cardy (2004, 10), the description of a job, the result of a job analysis, may not be that important by itself. What makes a job analysis critically important is that it is used to develop standards of performance that helps in identifying what good or poor level of performance is. Thus, a job analysis results in a document that provides good knowledge of the job in question as to what tasks need to be done, how they should be done and what knowledge, skills and abilities are required. This knowledge is important for both employees and employers as it helps in reaching to an agreement on what needs to be done, how it is to be done and, how it should be measured. However, job descriptions need to be revised frequently and updated accordingly to accommodate changes that might have occurred. According to Markus (2004), through time, people drift away from their original understanding of requirements so that little by little critical aspects of the job can be overlooked. Thus, it is essential that job requirements are reviewed regularly.

While a job description is an overview of the day to day performance requirements, organizations have specific periodic and short term objectives they wish individuals and teams to achieve. In this regard, the best way to manage goals is within an individual performance plan. Performance planning provides a chance for supervisors and employees to come together to discuss and agree on what needs to be done and how it should be done. According to Markus (2004), the performance plan should clearly start from an organizational objective and clearly relate the individual objective to it. The objective can be written as an activity to be completed, but as with the job description, there must be a description of the measure and the expected outcome in writing and in quantitative terms.

According to Markus (2004), research shows that individual differences in work output are very large. These factors causing an employee to perform better than others are described by Aguinis (2007, 77), as 1) Declarative knowledge which is information about facts and things including information regarding a given task's requirements, labels, principles and goals; 2) Procedural knowledge which is a combination of knowing what to do and how to do it and; 3) Motivation which is the willingness to perform. According to Aguinis (2007, 85), if any of the three determinants of performance has a very small value, then performance will have a low level also. Thus, all three determinants of performance must be present for performance to reach satisfactory level.

Normally, it is possible to address two of these determinants: declarative knowledge and procedural knowledge through the performance planning process. According to Aguinis (2007, 35), the performance planning discussion between supervisor and employee includes a consideration of both results, behaviors as well as a developmental plan. This consideration of results needs to include key accountabilities or broad areas for which an employee is responsible for producing results. Once accountabilities and objectives are determined in the performance plan, the next step is to determine performance standards for measuring results. These standards are yardsticks designed to help people understand to what extent the objective has been achieved. These standards provide raters with information on what to look for to determine the level of performance that has been achieved. According to Aguinis (2007, 95), standards can refer to various aspects of a specific objective, including quality, quantity and time and each of these

aspects can be considered criteria to be used in judging the extent to which an objective has been achieved.

A consideration of behaviors in the performance plan includes discussing competencies which are measurable clusters of knowledge, skills and abilities (KSAs) that are critical in determining how results will be achieved Aguinis (2007, 36). To understand the extent to which an employee possesses a competency, indicators that will help in understanding the extent to which an individual possesses the competency in question should be determined. Once the indicators are identified, the next step is choosing an appropriate measurement system either comparative or absolute. Comparative systems base the measurement on comparing employees with one other and include simple rank order, alternation rank order, paired comparisons and forced distribution. Absolute systems include evaluations of employees' performance without making direct reference to other employees. Such systems include essays, behavior checklists, critical incidents, and graphic rating scales Aguinis (2007, 96 - 117).

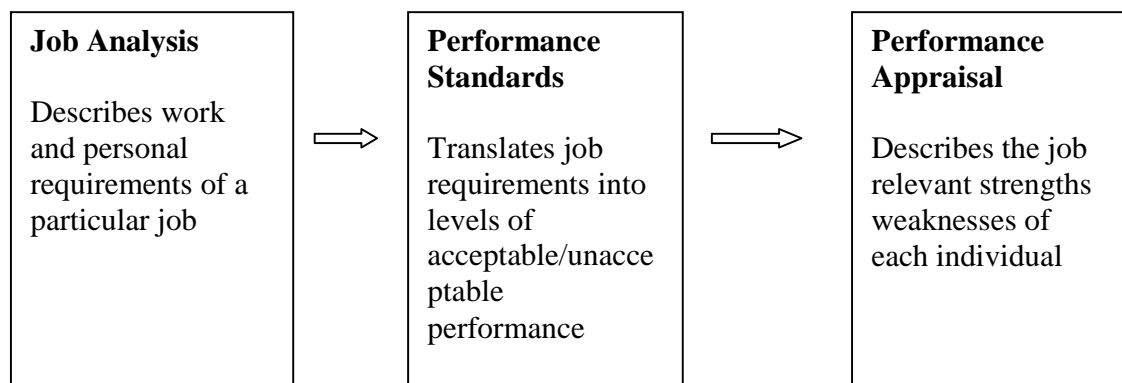


Figure 2 - Relationships of Job Analysis, Performance Standard and Performance Appraisal (Source: Cascio, 2003)

## 2.4 Components of Performance Planning

<b>Components of the Planning Stage</b>	
I.	Development of performance plan
II.	Plan discussion by employee and supervisor
III.	Update the plan as priorities/goals change

Source: [http://hr.uth.tmc.edu/Training\\_Development/perplan/plan.html](http://hr.uth.tmc.edu/Training_Development/perplan/plan.html)

The planning stage consists of the development of the performance plan, discussion of the plan by employee and supervisor, and updating the plan as priorities and goals change for either the employee and/or the organization. When developing the plan, the three essential components to be included are key accountabilities and objectives; competencies; and professional development. Accountabilities are areas of responsibility for which an employee is expected to produce results. For each of these accountabilities, there should be specific performance objectives with measurable outcomes. Accountabilities are unstable and tend to change as goals are met or priorities/responsibilities change. Competencies are behavioral measures that focus on how the job is to be accomplished and may include skills, knowledge and/or behaviors that improve job effectiveness/performance. The number of typical competencies ranges from six to ten. Unlike accountabilities, competencies normally remain stable and do not change over time. Competencies support accountabilities.

The next component in the planning process is the discussion of the plan by the employee and supervisor. This is an important step because both the employee and the supervisor must understand the plan. This step requires the employee and supervisor to have a good working relationship or some type of partnership. Good communication is essential to make this work. The supervisor must make sure the employee has set attainable goals and not ones that he/she is unable to reach. The supervisor should also be a mentor and should not dictate frequent changes



to the plan. The final plan and expectations must be fully understood by all parties. Supervisors should be clear on how performance expectations and rewards are linked.

As employees' priorities and goals change or are met (like accountabilities), plans need to be updated to reflect these changes. This area, like the previous area, requires regular communication between the employee and supervisor. In order to be aware of areas that need to be updated and changed, regular feedback and regularly scheduled meetings regarding performance are important. In fact, day-to-day feedback or coaching helps people to be able to accomplish the goals set in the planning stage.

Thus, the performance planning is a very important phase of the performance management process that provides employees with the knowledge and clear understanding of what they are supposed to do, how to do it as well as the competencies required in performing these tasks. In addition, the performance planning, at the same time, helps supervisors to have a clear understanding as to what to expect from their subordinates, determine and implement developmental plans to fill-in identified gaps in employee's competency to perform assigned tasks and finally how to measure employee's performance against set objectives and standards to differentiate between acceptable and unacceptable performance levels.

## **2.5 What is the Measure for Performance?**

Performance management is about managing the organization. At its best, performance management is concerned with satisfying the needs and expectations of all the organization's stakeholders: owners, management, employees, customers, suppliers and the general public Armstrong and Baron (2003, 10-11).

From the perspective of employees, what job performance consists of are essentially behaviors. From this perspective, performance consists of behaviors, and how well those behaviors are executed is a critical performance criterion. From the perspective of managers, performance on a job often consists of outcomes. It is the goals or actions achieved, not the activities that are

important. What is achieved is the critical performance criterion from an outcome perspective Cardy (2004, 13).

According to Armstrong & Baron (2003,16), the definition of performance management by Brumbranch (1998), as behaviors and results, leads to the conclusion that when one is managing the performance of teams and individuals, both inputs (behavior) and outputs (results) should be considered. This conclusion is supported by Cardy (2004, 15), who said *“the best answer to the question of which approach should be used as performance measurement might be both, but in a contingent and multistage fashion.”* According to Cardy (2004, 15-16), in the early stages of learning a new set of responsibilities, correctly carrying out the process is emphasized through the use of behavioral criteria as this approach allows specific and directive feedback to workers when a job is new or when responsibilities are significantly changed. However, once the process is learned and an employee is up to speed on his or her responsibilities, the performance criteria can remain focused on outcomes, unless performance is inadequate.

According to Aguinis (2007, 85 – 87), the measurement of performance using the traits approach emphasizes on individual traits that remain fairly stable throughout an individual’s life span and may be most appropriate when an organization anticipates drastic structural changes. The behavior approach emphasizes on what employees do and is most appropriate when the link between behaviors and results is not obvious, outcomes occur in the distant future and poor results are due to causes beyond the employees control. A results approach emphasizes the outcomes and results produced by employees and are most appropriate when workers are skilled in the needed behaviors, behaviors and results are obviously related, results show consistent improvement over time and there are many ways to do the job right.

The most common and recommended types of performance criteria used in organizations are behaviors and outcomes Cardy (2003, 16). However, according to Mondy et al. (1999, 341), in practice, the most common sets of appraisal criteria are traits, behaviors, and task outcomes. Many employees in organizations are evaluated on the basis of certain traits such as attitude, appearance, and initiative and so on. However, many of the traits commonly used are subjective and may be either unrelated to job performance or virtually impossible to define. In such cases,

the result may be inaccurate evaluations and legal problems as well. As per Cardy (2004, 16), to be useful, traits need to be defined in behavioral terms. According to Mondy et al. (1999, 342), when an individual's task outcome is difficult to determine, a common procedure is to evaluate the person's task-related behavior. Desired behaviors may be appropriate as evaluation criteria because of the belief that if recognized and rewarded, they will be repeated. On the other hand, if ends are considered more important than means, task outcomes become the most appropriate factor to evaluate.

## **2.6 Performance Evaluation/Appraisal**

Employees' job performance is an important issue for all employers. However, satisfactory performance does not happen automatically but more likely with a good performance management system. According to Harvard Business Essentials (2006, xii), competitiveness in many of today's industries is based on the effectiveness of human assets on the ability of employees to create, to apply their skills and accumulated knowledge, to work effectively together, and to treat customers well. Thus, the importance of human assets in business competition explains why every company and every manager needs a system for making the most of the company's people resources as everyone benefits when an organization has effective performance management.

*“Performance Appraisal is a formal system of periodic review and evaluation of an individual's or team's job performance”* Mondy et al, (1999, 336). According to Mondy et al. (199, 336 – 337), performance appraisal is often a frustrating human resource management task. This is because performance appraisal is often perceived as a negative disliked activity. However, though the appraisal process is difficult to devise and administer, there is a genuine organizational and employee need to conduct such evaluations. According to Cascio (2003, 334), appraisal serves a twofold purpose: 1) To improve employees' work performance by helping them realize and use their full potential in carrying out their firms' missions, and 2) To provide information to employees and managers for use in making work related decisions.

Similarly, Ivancevich (2004, 257- 258), puts the purposes that can be served by a well designed formal evaluation system as follows:

**Development** – To determine which employees need more training and evaluate the results of training programs as well as to encourage supervisors to observe subordinate’s behavior to help employees.

**Motivation** – Encourage initiative; develop new sense of responsibility and stimulating efforts to perform better.

**Human Resource and Employment planning** – Serve as a valuable input to skills inventories and human resource plans.

**Communications** – Serve as a basis for an ongoing discussion between supervisor and subordinate about job related matters.

**Legal Compliance** – Serve as a legally defensible reason for promotion, transfers, rewards and discharges.

**HRM Research** – Can be used to validate selection tools such as testing programs.

## **2.7 When and How Often Should Performance be Evaluated?**

The performance appraisal process itself contains three steps: define the job, appraise performance and provide feedback Dessler (2005, 315). Feedback is information about past performance. According to Aguinis (2007, 205), giving feedback to employee regarding his/her progress towards achieving goals is a key component of the coaching process. Feedback should be provided on an ongoing basis and should be delivered as close to the performance event as possible and include specific work behaviors, results and the situation where these behaviors and results were observed. In addition, feedback should be consistent and include information that is verifiable and accurate and be given at a place and time that avoids any potential embarrassment for the employee.

Feedback should be given on both positive and negative performances. According to Aguinis, (2007, 219), managers do not feel comfortable giving negative feedback because they fear that employees will react negatively. However, if negative feedback is a must and managers refuse to give it, poor performers may assume that their performance is not bad and eventually the situation may escalate to the point that the manager could no more tolerate but to give negative feedback and then the situation becomes punitive and feedback is not likely to be useful. Thus, feedback must be given on both positive and negative performances on a timely manner. In addition, it is important to keep a record of feedback given to an employee throughout the year so that it could be used as reference at the time of appraising performance and avoid any surprises during a performance review.

According to Ivancevich (2004, 261), in many organizations, performance evaluations are scheduled for arbitrary dates, such as the date the person was hired (anniversary date) and alternatively, employees may be evaluated on or near a single calendar date. However, the single day approach requires raters to spend a lot of time conducting evaluation interviews and completing forms at one time that may lead supervisors to want to get it over with that might lead the evaluation not to be effective. Thus, it is preferable to make the evaluation at the completion of a task cycle. Performance evaluations are made either annually or semi-annually. However, instead of making evaluations on anniversaries, it is better to perform evaluations on a calendar basis for consistency reasons as it may not be feasible to make comparisons between employees if appraisals are not done at the same time Mondy et al. (1999, 345).

## **2.8 Who is responsible for performance measurement?**

In most organizations, the human resource department is responsible for coordinating the design and implementation of performance appraisal programs. However, an essential element is that line managers play a key role from beginning to end. An employee's immediate supervisor has traditionally been the most common choice for evaluating performance. This continues to be the case and there are several reasons for this approach. The supervisor is usually in an excellent

position to observe the employee's job performance. Another reason is that the supervisor has the responsibility for managing a particular unit Mondy et al (1999, 342 - 343).

According to Cascio (2003, 348), if appraisal is done at all, it will probably be done by the immediate supervisor as he or she is probably most familiar with the individual's performance and in most jobs, has had the best opportunity to observe actual job performance. According to Mondy et al. (1999, 343), some firms have concluded that evaluation of managers by subordinates is feasible. They reason that subordinates are in an excellent position to view their superior's managerial effectiveness. Advocates of this approach believe that supervisors appraised in such a manner will become especially conscious of the work group's needs and will do a better job of managing.

Appraisal by subordinates can be a useful input to the immediate supervisor's development as subordinates know firsthand the extent to which the supervisor actually delegates, how well he or she communicates, the type of leadership style he or she is most comfortable with, and the extent to which he or she plans and organizes. However, ratings by subordinates tend to have less impact on supervisors with more cynical attitudes toward organizational change than those who are less cynical Cascio (2003, 349).

Peer evaluation has had proponents who believed that such an approach is reliable if the work group is stable over a reasonably long period of time and performs tasks that require considerable interaction Mondy et al. (1999, 343). According to Ivancevich (2004, 262), in peer evaluation system, co-workers must know the level of performance of the employee being evaluated. Problems with peer evaluations include the reluctance of people who work closely together, especially on teams, to criticize each other. Also, many team members will have little or no training in appraisal. Peer evaluation works best in a participative culture. However, the approach is not always satisfactory, even in this type of environment Mondy et al. (1999, 344). For the peer evaluation system to work, it is preferable for the evaluating peers to trust one another and not be in competition for raises and promotions Ivancevich (2004, 262). According to Cascio (2003, 348), peers can provide a perspective on performance that is different from that of immediate supervisors. Thus a member of a cross-functional team may be in a better position

to rate another team member than that team member's immediate supervisor. However, to reduce potential friendship bias while simultaneously increasing the feedback value of the information provided, it is important to specify exactly what the peers are to evaluate.

One system of appraising performance that appears to be growing in popularity is the 360-degree feedback Ivancevich (2004, 363). This method uses multiple appraisers, including supervisors, subordinates, and peers of the target person. According to Leopold et al. (1999, 180), interest in and application of 360° appraisal as a performance management practice are increasing. The intention of 360° appraisal is to give a broader and more objective assessment of people's competence. As per Mondy et al. (1999, 345), the 360-degree feedback is an increasingly popular appraisal method that involves input from multiple levels within the firm and external sources as well. The 360-degree feedback, unlike traditional approaches, focuses on skills needed across organizational boundaries. However, an appraisal system involving numerous evaluators will naturally take more time and, therefore, be more costly. In addition, a high degree of trust among participants and training in the appraisal system is needed regardless of how it is conducted.

Self evaluation where by an employee evaluates himself or herself with the techniques used by other evaluators has often been met with skepticism by organizations because the self interests of the employee could outweigh an objective evaluation Ivancevich (2004, 363). According to Mondy et al. (1999, 344), if employees understand the objectives they are expected to achieve and the standards by which they are to be evaluated, they will be in a good position to appraise their own performance. They say, "*Self-appraisal, as a complement to other approaches, has great appeal to managers who are primarily concerned with employee participation and development.*" As per Cascio (2003, 349) there are several arguments to recommend wider use of self appraisals. The opportunity to participate in the performance appraisal process, particularly if appraisal is combined with goal setting, improves the ratee's motivation and reduces her or his defensiveness during the appraisal interview. On the other hand, self-appraisals tend to be more lenient, less variable, and more biased, and to show less agreement with the judgments of others.

Another source of performance measurement could be customers. According to Cascio (2003, 350), in some situations the consumers of individual's or organization's services can provide a unique perspective on job performance. Although the customer's objectives cannot be expected to correspond completely to the organization's objectives, the information that customers provide can serve as useful input for employment decisions, such as those regarding promotion, transfer, and need for training. Similarly, as per Mondy et al. (1999, 344), the behavior of customers determines the degree of success a firm achieves. Therefore, some organizations believe it is important to obtain performance input from this critical source. For this purpose, it is important to have employee participation in setting goals and to include only those factors within the employee's control.

## **2.9 Methods of Performance Measurement**

According to Julnes and Holzer (2009, 21), answering the question of "Why measure performance?" may be critical to finding out how to actually measure performance. The various performance evaluation methods are summarized as follows:

**Rating Scales:** is a widely used appraisal method, which rates employees according to defined factors. This method is popular for its simplicity which permits many employees to be evaluated quickly. The factors chosen for evaluation are typically of two types: job related and personal characteristics.

**Critical Incident Method:** A performance appraisal technique that requires a written record of highly favorable and highly unfavorable employee work behavior. With this method, the appraisal is more likely to cover the entire evaluation period and not focus on the last few weeks or months.

**Essay Method:** A performance appraisal method in which the rater writes a brief narrative describing an employee's performance. This method tends to focus on extreme behavior in the employee's work rather than routine day-to-day performance.



**Work Standards Method:** A performance appraisal method that compares each employee's performance to a predetermined standard or expected level of output. Standards reflect the normal output of an average worker operating at a normal pace.

**Ranking Method:** A job evaluation method in which the rater examines the description of each job being evaluated and arranges the jobs in order according to their value to the company. It is also a performance appraisal method in which the rater places all employees in a given group in rank order on the basis of their overall performance.

**Paired Comparison:** A variation of the ranking method of performance appraisal in which the performance of each employee is compared with that of every other employee in particular group.

**Forced Distribution Method:** An appraisal approach in which the rater is required to assign individuals in a work group to a limited number of categories similar to a normal frequency distribution.

**Forced-choice Performance Report:** A performance appraisal technique in which the rater is given a series of statements about an individual and indicates which items are most or least descriptive of the employee.

**Weighted Checklist Performance Report:** A performance appraisal technique in which the rater completes a form similar to a forced-choice performance report except that the various responses have been assigned different weights.

**Behaviorally anchored Rating Scale (BARS) Method:** A performance appraisal method that combines elements of the traditional rating scale and critical incidents methods.

**Objective-Oriented Approaches:** In an objective-oriented system, the superior and the subordinate jointly agree on objectives for the next appraisal period. At the end of the appraisal period, the worker's evaluation is based on how well these objectives were accomplished. One

advantage of this approach is that the objectives, once jointly established, can be used in coaching subordinates. Objective-oriented appraisals are most often used to evaluate managers, not workers.

According to Cascio (2003, 346), an extensive review of the research literature that relates the various rating methods to indicators of performance appraisal effectiveness found no clear “winner”.

## **2.10 Problems in Performance Evaluation**

Many performance appraisal methods have been severely criticized. However, many of the problems commonly mentioned are not inherent in the method rather they reflect usage Mondy et al. (1999, 351-355). Some of the problems in performance appraisal process are summarized as follows:

**Lack of Objectivity** – A potential weakness of traditional performance appraisal methods is they lack objectivity. However, the use of job related factors increases objectivity.

**Halo Error** – The perception by an evaluator that one factor is paramount importance and then gives a good or bad overall rating to an employee based on this particular factor.

**Leniency** – Giving undeserved high performance appraisal rating to an employee.

**Strictness** – Being unduly critical of an employee’s work performance.

**Central Tendency** – A common error in performance appraisal that occurs when employees are incorrectly rated near the average or middle of a scale.

**Recent Behavior Bias** – Intentionally or unintentionally, an employee’s behavior may improve and productivity tends to rise several days or weeks before the scheduled evaluation and it is

only natural for a rater to remember recent behavior more clearly than actions from the more distant past. However, individual's performance should be considered for the entire period.

**Personal Bias** – Supervisors doing performance appraisals may have biases related to their employee's personal characteristics. For instance, people who do not raise serious objections to results may be appraised more harshly in contrast to those who do.

## 2.11 Characteristics of an Effective Appraisal System

The purpose of a performance appraisal system is to improve performance of individuals, teams and the entire organization. Although a perfect system does not exist, every system should possess certain characteristics. The following factors are suggested to assist in accomplishing this purpose according to Mondy et al. (1999, 354 – 356).

**Job-Related Criteria** – The criteria used for appraising employee performance must be job related and more specifically, job information should be determined through job analysis.

**Performance Expectations** – Managers and subordinates must agree on performance expectations in advance of the appraisal period as evaluating employees using criteria that they know nothing about is not reasonable.

**Standardization** – Employees in the same job category under the same supervisor should be appraised using the same evaluation instrument and regularly covering similar periods of time for all.

**Trained Appraisers** – It is important to train supervisors as well as employees in performance appraisal as an ongoing process and ensuring consistency. The training should cover how to rate employees and conduct appraisal interviews with detailed instructions stressing the importance of making objective and unbiased ratings.

**Open Communication** – A good appraisal system provides highly desired feedback on a continuing basis with a goal of avoiding surprises during the appraisal interview.

**Employee Access to Results** – For appraisal systems designed to improve performance, withholding appraisal results would be unthinkable. Employees would be severely handicapped in their developmental efforts if denied access to this information. In addition, employees' review of appraisal results allows them to detect any errors that may have been made.

**Due Process** – Ensuring a due process is vital. If a formal policy does not exist, one should be developed to permit employees to appeal appraisal results they consider inaccurate or unfair. They must have a procedure for pursuing their grievances and having them addressed objectively.

According to Casico (2003, 336 – 338), key requirements of any appraisal system legally and scientifically, are relevance, sensitivity and reliability and in the context of ongoing operations, acceptability and practicality.

**Relevance** – Existence of clear links between performance standards for a particular job and on an organization's goals as well as links between the critical job elements identified through a job analysis and the dimensions to be rated on an appraisal form.

**Sensitivity** – Capability of the performance appraisal system in distinguishing effective performers from ineffective performers.

**Reliability** – Consistency of judgment.

**Acceptability** – Obtaining the support of those who will use it.

**Practicality** – Being easy to be understood and used by employees and managers.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

In this chapter, the research design and the methods for data collection and analysis are discussed.

#### **3.1 Research Design**

The type of research for this study was the survey research method. A survey is an attempt to collect data from members of a population in order to determine the current status of that population with respect to one or more variables. The purpose of a survey research is to seek and obtain information that describes existing phenomena by asking individuals about their perceptions, attitudes, behavior or values. Survey research is therefore a type of descriptive research (Mugenda & Mugenda 2003, 165).

Thus, the survey method was appropriate to obtain data for this study that aimed to collect information on the existing practices of the performance planning and appraisal processes at MOHA Teklehaimanot plant and make a report on the findings describing the strengths and weaknesses as well as causes for underlying problems and gaps in the system.

Both qualitative and quantitative methods were used. Qualitative research includes designs, techniques and measures that do not produce discrete numerical data. More often the data are in the form of words rather than numbers and these words are often grouped into categories. Qualitative method is advantageous in that it permits research to go beyond the statistical results usually reported in quantitative research (Mugenda et al. 2003, 155). On the other hand, quantitative research includes designs, techniques and measures that produce discrete numerical or quantifiable data (Mugenda et al., 2003, 156).

Quantitative data was collected through distribution of questionnaires believed to address issues raised in the research questions and objectives of the study. Questionnaires were used to help in

accessing a large sample of the population under study and address many questions at a time. It was also important to give respondents the freedom to provide genuine replies to the questions. The questionnaires were hand delivered to a sample of respondents from the target population in order to obtain information relevant for the study. Similarly, qualitative data was also obtained from the replies of respondents to open ended questions in the questionnaires distributed. In addition, qualitative data was obtained from an interview with randomly selected supervisors at the human resource department. The interview helped in understanding the flow of the performance planning and appraisal systems in the company and at the same time to discuss and seek clarification and management response on issues raised by respondents of the questionnaires.

### **3.2 Population and Sampling Techniques**

The target population for this study were employees of MOHA Soft Drinks Industry S.C. at Teklehaimanot Plant in Addis Ababa. The total of the target population was estimated to be between 620 - 625 employees, out of which around 20 were estimated to be at a supervisory level. For descriptive studies, ten percent of the accessible population would have been enough to take a sample, as suggested by Gay (1981 cited in Mugenda et al. 2003, 42). However, in order to account for questionnaires that may not have been returned to the researcher for various reasons, a sample of 20% was taken to represent the population under study.

The population was first classified in to two sub-groups as supervisors/managers and supervisees. Taking in to account the small number of supervisors, 100% of the population i.e. 20 samples were considered using availability sampling. With regards to supervisees, a sample of 20% i.e. 120 samples were taken randomly to represent the target population. Thus, a total of 140 samples were taken using availability and simple random sampling.

Out of the 140 questionnaires distributed, a total of 125 questionnaires were returned representing a response rate of 89.3% and 17.1% of the target population which is enough to make a generalization on the entire population and make a conclusion on the study.

### **3.3 Sources of Data**

In conducting this research, both primary and secondary data were used. Primary data was collected through questionnaires distributed among the selected samples of the target population. In addition, primary data was obtained through an interview with randomly selected supervisors based on convenience and availability sampling. Through the collection of primary data, first hand information was obtained from employees and supervisors about their perception, practical experience and comments on the performance planning and evaluation systems of the company.

Secondary data was collected from publications and documents of the company. The purpose of secondary data was to obtain a better understanding on the policies and procedures of the company with regards to performance planning and appraisal. In addition, secondary data was used to capture and fill in information gap that was not obtained through questionnaires.

### **3.4 Tools of Data Collection**

In order to collect primary data, hands delivered questionnaires were distributed to randomly selected supervisors and employees at the various departments of MOHA Soft Drinks Industry S.C. Teklehaimanot Plant. An interview was also made with randomly selected supervisors based on availability and convenience sampling. This was to get a better understanding of the performance planning and appraisal practices in place. Secondary data was collected from internet, publications and documents of the company. This supplemented information obtained through primary data.

### **3.5 Procedures of Data Collection**

In order to collect data, questionnaires, that tried to address the research questions, were developed based on the objectives of the study. The questionnaires were first revised by friends after which were submitted for comments by advisor for necessary improvements and modifications. The questionnaires were then finalized based on comments from the advisor and a pretest was done.

Normally, a pretest sample is between 1% and 10% depending on the sample size (Mugenda et al. 2003, 79). Thus, a sample of 4% from the actual sample i.e. (3 % of 140 = 6 samples) was used for the pretest. Three samples each were selected randomly from supervisors and supervisees in order to carry out the pretest. The questionnaires were then finalized incorporating comments and suggestions from the pretest and submitted for advisor's comment after which were finalized, printed and distributed to the actual sample population. After finalization the questionnaires prepared in English were translated in to Amharic and distributed in both languages. Data was collected within a period of two weeks from distribution of the questionnaires.

### **3.6 Methods of Data Analysis**

Data collected through questionnaires were coded and analyzed quantitatively using descriptive statistics method. Descriptive statistics is the term given to the analysis of data that helps to describe, show or summarize data in a meaningful way. Descriptive statistics are very important because presenting raw data would be hard to visualize what the data is showing. Descriptive statistics, thus, enables to present the data in a more meaningful way, which allows simpler interpretation of the data. In quantitative analysis, the first step in data analysis is to describe or summarize the data using descriptive statistics. The purpose of descriptive statistics is to enable the researcher meaningfully describe a distribution of scores or measurements using a few indices or statistics (Mugenda et al., 2003, 117).

Accordingly, questionnaires were first numbered consecutively to represent respondents. Responses for each question was then tabulated on excel sheet and analyzed quantitatively using percentages and frequency distribution. A percentage is the proportion of a subgroup to a total group or sample and ranges from 0% to 100%. A frequency distribution shows the distribution of scores in a sample for specific variable. Qualitative data collected through open ended questionnaires and interviews were categorized and analyzed systematically in order to come to some useful conclusions and recommendations that were described qualitatively.



## CHAPTER FOUR

### RESULTS AND DISCUSSIONS

This chapter presents the results of data collected and discusses the findings in view of related literature.

#### 4.1 Organizational Business Facts

MOHA's Teklehaimanot Plant is classified as a middle size plant and is the second largest plant next to Nefas Silk Plant. As per August 2013 count, Teklehaimanot Plant has a total of 730 employees out of which 575 are male and 155 female. The category of employees is summarized as below:

**Table 4.1 Head Count in the Plant**

<b>Category</b>	<b>Management</b>	<b>Non- Management</b>	<b>Contract</b>	<b>Piece-rate</b>	<b>Total</b>
<b>No. staff</b>	25	644	37	24	730

Accordingly, questionnaires were distributed to a sample of respondents in the various departments in order to obtain information on the performance planning and evaluation/appraisal processes of the Plant. The results of the responses from questionnaires as well as information obtained through interview are summarized and discussed in this chapter.

## 4.2 Demographic Information of Respondents

**Table 4.2 (a) Summary of respondents by Age and Gender**

Age	Gender				Total
	Male		Female		
	Freq.	%	Freq.	%	
18 – 27	15	12%	4	3.21%	19
28 – 37	39	31.2%	18	14.4%	57
38 – 47	24	19.2%	9	7.2%	33
Above 47	14	11.2%	2	1.6%	16
Total	92	73.6%	33	26.4%	125 (100%)

As can be seen from the above table, the majority of respondents were male with an age group of 28 – 37 followed by an age group of 38 – 47 years. Though, few in numbers as compared to the male, the majority of the female respondents were also composed of the same age group as that of the male. Accordingly, it is possible to infer that the majority of the work force at Teklehaimanot Plant is composed of matured individuals.

**Table 4.2 (b) Summary of Respondents by Marital Status and Tenure with the Company**

Duration in the Company	Marital Status										Total
	Single		Married		Separated		Divorced		Widowed		
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	
1 – 4 Years	26	20.8%	15	12%	0	0%	0	0%	0	0%	38
5 – 8 Years	12	9.6%	10	8%	2	1.6%	0	0%	0	0%	24
9 – 12 Years	9	7.2%	9	7.2%	0	0%	2	1.6%	0	0%	20
Above 12 Years	3	2.4%	34	27.2%	3	2.4%	0	0%	0	0%	40
Total	48	40%	67	54.4%	5	4%	2	1.6%	0	0%	125 (100%)

As per the above summary, 54.4% of the respondents were married and among them 27.2% of them have duration of more than 12 years with the company. The second largest groups of respondents were single with duration of 1 – 4 years in the company. It can be inferred from this that majority of the employees are stable. This increases loyalty and reduces turnover at the plant because as employees stay longer organizational citizenship increases. Thus, employees consider

the success of the plant as a success of their own and tend to exert more effort on their performance towards achievement of those objectives set by the plant. In addition, it is possible to say that information obtained from data collected for this study is reliable as majority of the respondents were employees who have passed through the processes and accumulated a better knowledge over the years.

**Table 4.2 (c) Summary of Respondents by Functional Role and Educational Background**

Educational Background	Functional Role						Total
	Department Head		Supervisor		Staff		
	Freq.	%	Freq.	%	Freq.	%	
MA/MSc	0	0%	0	0%	0	0%	0
BA/BSc	5	4%	9	7.2%	4	3.2%	18
Diploma	0	0%	5	4%	58	46.4%	63
Certificate	0	0%	0	0%	10	8%	10
10 <sup>th</sup> /12 <sup>th</sup> Complete	0	0%	0	0%	34	27.2%	34
Total	5	4%	14	11.2%	106	84.8%	125 (100%)

All of the respondents with department head and supervisory role have educational qualification of BA/BSc and the majority of the staff hold diploma followed by 10<sup>th</sup>/12<sup>th</sup> grade complete. This shows that in general, the majority of the employees at Teklehaimanot plant have completed secondary education. This helps the plant to run effectively as employees could easily understand guidelines and procedures. It is also possible to say that majority of the respondents were able to easily understand the issues that were raised in the questionnaires.

**Table 4.2 (d) Summary of Respondents by Employment Category**

Terms of Employment	Freq.	%
Permanent	116	92.8%
Contract	9	7.2%
Total	125	100%

As can be seen from the above i.e., Table 4.2 (d), the majority of the respondents have a permanent employment status and this shows majority of the employees at the plant also hold a permanent employment status. This implies that the employees at Teklehaimanot plant have job security and this agrees with the longer stay of the majority with the plant as seen above on Table 4.2 (b). This is advantageous to the plant because when employees feel safe, their sense of responsibility and loyalty towards the plant increases.

### **4.3 Analysis of Data Pertaining to the Study**

Likert-scale type questions were prepared in order to obtain data from respondents. All questions in the questionnaire were given a point on a scale of 1 to 5 with 5 = Strongly Agree (SA), 4 = Agree (A), 3 = Partially Agree (PA), 2 = Disagree (D) and 1 = Strongly Disagree (SD).

Data was collected through questionnaires distributed among the employees at the various departments of MOHA Teklehaimanot plant using simple random sampling. A total of 140 questionnaires, out of which, 20 for supervisors were distributed. A total of 19 questionnaires from supervisors and 106 from employees were returned with a total return of 125 questionnaires. Questionnaires were first numbered consecutively to represent respondents and responses for each question was then tabulated on excel sheet and analyzed quantitatively using percentages and frequency distribution.

Collected data are summarized and presented by category in the tables that follows:

### 4.3.1 Assessment of Employees' Organizational Awareness

**Table 4.3.1 Employees' Organizational and task knowledge**

Items	Responses									
	SA		A		PA		D		SD	
	F	%	F	%	F	%	F	%	F	%
Awareness of the organization's mission, vision and strategic objectives	79	63.2%	22	17.6%	16	12.8%	5	4%	3	2.4%
Knowledge of the objectives of own unit/department are in line with the strategic plan of the company	52	41.6%	32	25.6%	26	20.8%	9	7.2%	6	4.8%
Awareness of the key components of my job (activities, tasks, products, services, processes, etc)	59	47.2%	37	29.6%	15	12%	8	6.4%	6	4.8%
Total	190	50.7%	91	24.3%	57	15.2%	22	5.9%	15	4%

From Table 4.3.1 above, we can see that overall, 50.7% of the respondents strongly agreed, 24.3% agreed and 15.2% partially agreed that they are well aware about the organization's mission, vision and strategic objectives, the key components of their jobs and the objectives of the unit/department they work in are aligned with the strategic objectives of the organization. However, a total of 9.9% of the respondents do not seem to be well aware about the organization's mission, vision, strategic objectives as well as the objectives of their unit and the key components of their job.

According to Aguinis (2007, 29), knowledge of the organization's mission and strategic goals as well as knowledge of the job in question are two most important prerequisites that are required before implementation of any performance management system. It is very important for employees to know and for employers to ensure awareness of the purpose of their organization and what it aspires to be in the future. Individual employees may not need to know the details of every activity of the organization but need to know what the organizational objectives are. This will help them to mobilize their efforts and contribute towards the achievement of the organization's goals. However, if employees do not have clear understanding of the mission and strategic objectives of their organization, they may perform against its objectives not intentionally but unintentionally.

Thus, it can be said that the majority of the employees at MOHA Teklehaimanot Plant know the organization's mission and objectives. The organization's mission and objectives are displayed on a billboard in the Plant's compound and in addition, the business objectives are stated in employees' handbook which is distributed to all employees. This helps to ensure that employees get a clear message with regards to their organization's objectives. Though the majority of respondents agreed to the questions above, it is important to address those who disagreed and gave their partial agreement to bring everyone in the organization to the same level of understanding.

### 4.3.2 Assessment of Employees' Job Descriptions

**Table 4.3.2 Perception of Employees on their Job Descriptions**

Items	Responses									
	SA		A		PA		D		SD	
	F	%	F	%	F	%	F	%	F	%
Existence of written job description	59	47.2%	21	16.8%	13	10.4%	14	11.2%	18	14.4%
Job description shows the activities and results that are expected and the way tasks and results will be measured	40	32%	38	30.4%	17	13.6%	13	10.4%	17	13.6%
Job requirements are reviewed regularly and thus job description is updated accordingly	15	12%	29	23.2%	23	18.4%	29	23.2%	29	23.2%
Total	114	30.4%	88	23.5%	53	14.1%	56	14.9%	64	17.1%

According to MOHA's employee handbook, employees shall be given an explanation of the nature of their position and assigned duties and expected standards of performance. From the above summary, majority of the respondents, a total of 64%, agreed to have a written job description while 10.4% partially agreed and a total of 25.6% disagreed to having a job description. In addition to the responses given here, a good number of respondents gave their

comment to the open ended question that asked “what challenges and problems exist in the performance planning and appraisal systems in the organization?”, saying that no job descriptions are available for middle and higher level management group. However, according to paragraph 9.1 of the collective agreement signed between Teklehaimanot Plant and the Labor Union, it is the obligation of the Plant to provide each employee with a written job description detailing role, duties and responsibilities of the employee. During an interview with HR officials, existence of job description for every employee was confirmed and the reason for these complaints might be a matter of communication as it is the responsibility of departments to officially hand over a job description to an employee in the respective department.

With regards to regular revision of job requirements and the corresponding update in job descriptions, only 12% agreed strongly and 23.2% gave their agreement while 18.4% partially agreed. A total of 46.4% of the respondents disagreed to the updating of job descriptions. This shows that a majority of the job descriptions remain the same as they were when an employee was initially hired and this conclusion was also confirmed during an interview.

According to Cardy (2004, 7), effective management of performance first requires a solid understanding of the performance domain, that is what are the duty areas of tasks that are part of the job. A Job description is a good means of communication and needs to be written precisely so it communicates the activities and the results expected of an employee. This knowledge is important both to employees and management/supervisors as it helps in reaching an agreement as to what needs to be done, how to do it and the way to measure it. However, job descriptions need to be revised frequently and updated accordingly in order to accommodate changes that might have occurred through time.

### 4.3.3 Assessment of Performance Planning Process

**Table 4.3.3 (a) Respondents views on Individual Performance Planning Practices in the Plant**

Items	Responses									
	SA		A		PA		D		SD	
	F	%	F	%	F	%	F	%	F	%
At the beginning of each performance cycle, a performance plan is prepared on the basis of my job description and cascaded strategic objectives of units/departments	26	20.8%	29	23.2%	24	19.2%	27	21.6%	19	15.2%
At the beginning of each performance cycle, supervisor and employee sit together to discuss and agree upon what needs to be done, how it should be done and what results are expected	25	20%	30	24%	30	24%	15	12%	25	20%
The performance planning discussion between supervisor and employee includes the broad areas for which I am responsible	30	24%	30	24%	28	22.4%	19	15.2%	18	14.4%
The performance planning discussion between my supervisor and I includes specific objectives for each of my key accountability (i.e. goals to be reached)	31	24.8%	37	29.6%	27	21.6%	12	9.6%	18	14.4%
The performance planning discussion between my supervisor and I includes performance standards (i.e. what constitutes acceptable and unacceptable levels of performance)	20	16%	37	29.6%	33	26.4%	16	12.8%	19	15.2%
The performance planning discussion between my supervisor and I includes a developmental plan (i.e areas that need to improve and goals I have to achieve in each area)	28	22.4%	35	28%	32	25.6%	13	10.4%	17	13.6%
<b>Total</b>	<b>160</b>	<b>21.3%</b>	<b>198</b>	<b>26.4%</b>	<b>174</b>	<b>23.2%</b>	<b>102</b>	<b>13.6%</b>	<b>116</b>	<b>15.5%</b>



The questions in table 4.3.3 (a) above were raised in order to understand the existing practices of the performance planning process and assess the transparency of the process, the level of employees' involvement and identify what it constitutes. Accordingly, a total of 47.7% of the respondents agreed to the points raised while 23.2% partially agreed and a total of 29.1% disagreed. Looking at the responses for each question separately, the level of agreement (both for Strongly Agree and Agree) is less than 30% for each case and the level of disagreement (both for Disagree and Strongly Disagree) is more than 9% rising up to 22%. Moreover, it was noted during the interview that only the production and sales departments use performance planning based on targets set for their respective departments. This shows that the majority of the departments do not use individual performance planning to achieve their goals. However, the best way to manage goals is within an individual performance plan. Obviously staff with goals outperform those who have no goals. In addition, it will be very difficult to measure performance if there was no goal set to be achieved at the beginning of the performance cycle. According to Aguinis (2007, 35), the performance planning process helps to address two determinants of performance called declarative knowledge and procedural knowledge. The procedural knowledge includes a combination of knowing what to do and how to do it while a declarative knowledge is information about facts and things including information regarding a given task's requirements.

Accordingly, the performance planning process serves to bring both supervisors and employees together to have a discussion that includes a consideration of results, behaviors as well as developmental plan. In addition to setting objectives, the performance planning also helps in determining accountabilities. When employees know to what they are accountable, it is customary that they give due attention to their actions. This brings consciousness to the fact that they are expected to achieve set objectives or else there will be consequences. At the same time, supervisors will have a chance to listen to the employee and understand situations or skill gaps that may prevent the individual from achieving those goals and thus, devise a developmental plan to fill in those gaps. Once accountabilities and goals are set, it is possible to set performance standards through the performance planning process. This will help both the employee and the supervisor in that it tells the employee what s/he is expected to do and achieve as well as what performance levels would be acceptable or unacceptable. As for the supervisor, it tells what to

expect of the employee and how to guide and coach him/her in order to achieve those desired results.

The non existence of performance planning discussions, lack of job standard, lack of developmental plan, lack of willingness to know what the employee needs and understand the problem and lack of follow-up where performance plans exist were points raised repeatedly by a number of respondents to the open ended question that asked what problems and challenges exist in the performance planning process.

**Table 4.3.3 (b) Respondents views on Team Performance Planning Process in the Plant**

Items	Responses									
	SA		A		PA		D		SD	
	F	%	F	%	F	%	F	%	F	%
Performance Plans are also prepared for specific and short term objectives that teams are required to achieve	25	20%	37	29.6%	33	26.4%	15	12%	15	12%
Within a team, individual role accountabilities are well defined	23	18.4%	32	25.6%	35	28%	12	9.6%	23	18.4%
Total	48	19.2%	69	27.6%	68	27.2%	27	1.8%	38	15.2%

Almost an equal number of respondents (27.6% and 27.2%) gave their agreement and partial agreement, respectively, to the preparation of team performance plan indicating individual role accountabilities while 19.2% strongly agreed and a total of 16% disagreed to this. As is the case with individual performance plan, it is necessary to clearly identify role accountabilities within a team. Otherwise, tasks may fall in between because no one would take the initiative and assume responsibility. However, if roles are well defined, individual team members would feel obliged to accomplish their tasks and achieve results and thus work hard towards that. It also helps the plant to easily identify problem areas and give solutions on time in cases where delays or other problems occur.

### 4.3.4 Assessment of Strategic Alignment of Performance Plans

**Table 4.3.4 Alignment of Organizational Objectives and Individual Plans**

Items	Responses									
	SA		A		PA		D		SD	
	F	%	F	%	F	%	F	%	F	%
Performance plans start from the company's strategic objectives	50	40%	34	27.2%	22	17.6%	11	8.8%	8	6.4%
Personal objectives are aligned with the strategic objectives of the company	33	26.4%	37	29.6%	29	23.2%	14	11.2%	12	9.6%
Understanding of the value of own contributions and importance of work efforts aligned with that of the organization	65	52%	24	19.2%	20	16%	7	5.6%	9	7.2%
Total	148	39.5%	95	25.3%	71	18.9%	32	8.5%	29	7.7%

A total of 66.4% of the respondents agreed that their performance plan starts from the company's strategic objectives and that their personal objectives are aligned with the strategic objectives of the organization. In addition, 52% of the respondents strongly agreed to have a good understanding of the importance of aligning their work effort and the contributions they make towards this, while a total of only 12.8% disagreed. As stated in the management message to all employees section of the employee handbook (2004 Eth.C.), over and above the functional responsibilities of each employee, the company expects the allegiance of all the employees to clearly comprehend the motto of the company and dedicate themselves to the achievement of its objectives/motto.

As stated in the employee handbook, Pepsi Beverage International's (PBI) Motto Reads as follows:

*"We are committed to marketing our products to all groups, treating all customers with respect, sensitivity and fairness, while providing some of the greatest productions on earth."*

MOHA also follows the same motto with an emphasis on being the biggest soft drinks industry in the country and remain dominant in its market share. In this regard, all employees, especially the sales force who are the first contact with customers are required to maintain acceptable behavior and appearance to let the customer enjoy MOHA's product/service. In addition, they are required to feel proud of their uniforms, company logo and other insignia that signify the image of their company, MOHA.

Looking at table 4.3.4 above, the agreement for the alignment of personal objectives with that of the company was not as high as the agreement for the alignment of performance objectives and understanding the value of own contribution. If employees feel that they are not able to achieve their personal interest/objective (financial, career, etc) working in the company, they might lose interest in their jobs resulting in a decline in performance. Thus, it is important to make employees feel they are part of the organization and understand that they and the organization are interdependent. Managers can achieve this through the developmental plan by developing the employee and the employee in turn working towards developing the organization by achieving its goals.

### 4.3.5 Identification of Performance Measurement Criteria

**Table 4.3.5 Respondents Perception on the Performance Measurement Criteria Employed by the Plant**

Items	Responses									
	SA		A		PA		D		SD	
	F	%	F	%	F	%	F	%	F	%
Awareness of what is expected and against what one will be evaluated	70	56%	30	24%	14	11.2%	7	5.6%	4	3.2%
Performance is evaluated against certain traits such as attitude, personal appearance, initiative, etc	43	34.4%	40	32%	21	16.8%	12	9.6%	9	7.2%
Performance is evaluated against my task related behaviors (inputs) such as team work, cooperation, customer service orientation, reliability, etc	56	44.8%	30	24%	24	19.2%	8	6.4%	7	5.6%
Performance is evaluated against results (outputs) that must be produced such as time, quantity, quality of work etc	38	30.4%	27	32%	32	25.6%	14	11.2%	14	11.2%
Performance is evaluated against behaviors (input) and results (output) produced	43	34.4%	29	23.2%	23	18.4%	16	12.8%	14	11.2%
Total	250	40%	156	25%	114	18.2%	57	9.1%	48	7.7%

The above questions were raised in order to identify the performance measurement criteria used by Teklehaimanot plant and assess the level of employees understanding against what their performances are measured. Accordingly, a total of 80% of the respondents agreed to have a good knowledge of what is expected of them and against what they will be evaluated. Only 8.8% of the respondents disagreed to being aware of this. Looking the response rates for measurement

of performance against traits, behaviors, results and a combination of results and behaviors, the responses have a close percentage level with a total agreement of 66.4% for traits, 68.8% for behaviors, 62% for results and 57.6% for a combination of results and behaviors. Looking at the level of disagreement, 16.8% disagreed on traits, 12% on behaviors, 22.4% on results and 24% on a combination of results and behaviors. From this, we can understand that traits, behavior and results are the measurement criteria being used across the plant for measuring employees' performance.

According to Cardy (2003, 16), the most common and recommended types of performance criteria used in organizations are behaviors and outcomes. However, according to Mondy et al. (1999, 341), in practice and as is the case of Teklehaimanot Plant, the most common sets of appraisal criteria are traits, behaviors, and task outcomes. It is to be noted however, that many of the traits commonly used are subjective and may be either unrelated to job performance or virtually impossible to define. This was in fact confirmed by many of the respondents who claimed points raised in the performance appraisal form are too subjective that cannot be measured. In addition, use of unrelated and wrong evaluation standards/criteria and performance being evaluated depending on the level of understanding and willingness of the evaluator were some of the issues raised by the respondents.

Absence of clear measurement criteria depending on the nature of a job reduces the level of confidence of both supervisors and employees as this creates confusion on what is to be assessed and how. This brings difficulty for supervisors to evaluate performance objectively and employees may be tempted to refuse evaluation results given to him/her. It is possible to infer that this might be the reason for employees' resistance in accepting performance evaluation as mentioned in the statement of the problem of this research.

### 4.3.6 Assessment of the Performance Appraisal Process

**Table 4.3.6 (a) Respondents View About Feedbacks on Their Performance**

Items	Responses									
	SA		A		PA		D		SD	
	F	%	F	%	F	%	F	%	F	%
Ongoing performance feedback and coaching	18	14.4%	30	24%	28	22.4%	26	20.8%	23	18.4%
Feedback given on positive performance	22	17.6%	32	25.6%	19	15.2%	21	16.8%	31	24.8%
Feedback given on negative performance	26	20.8%	23	18.4%	23	18.4%	24	19.2%	29	23.2%
Supervisor keeps a record of feedbacks given throughout the year	12	9.6%	28	22.4%	18	14.4%	27	21.6%	40	32%
Supervisor encourages and provides with the necessary resources by allowing budget to participate in trainings or classes that are helpful in developing / improving ones performance	13	10.4%	20	16%	25	20%	14	11.2%	53	42.4%
Total	91	14.6%	133	21.3%	113	18.1%	112	17.9%	176	28.2%

Feedback is information about past performance and according to Aguinis (2007,205), giving feedback to employee regarding his/her progress towards achieving goals is a key component of the coaching process and should be provided on an ongoing basis as close to the performance event as possible. From table 4.3.6 (a) above, the level of disagreement for receiving an ongoing feedback on performance was slightly higher (39.2%) than the level of agreement (38.4%) while (22.4%) gave their partial agreement. Feedback should be given on both positive and negative performances. Accordingly, the level of agreement and disagreement were very close for receipt of feedback on both positive and negative performances with a total of 43.2% agreeing and

41.6% disagreeing to receiving feedback on positive performance and 39.2% agreeing and 42.4% disagreeing to receiving feedback on negative performance.

According to Markus (2004), positive feedback encourages more of the activity that it follows, negative feedback discourages activity that it follows but only if the feedback is perceived as immediate. Thus, feedback must be given on time and in an ongoing basis. Feedback must be two way – supervisor to employee and employee to supervisor. This will help the supervisor to know what the employee is doing, what problems he/she encountered and seek solution on time. Similarly, feedback helps the employee to know how he/she is doing, what needs to be improved and the like. Respondents mentioned on the open ended questions that one of the problems in the performance planning and appraisal systems was lack of taking corrective or appropriate measure on time and thus resulting in escalation of the problem. Similarly, some respondents commented that there is a tendency of accumulating mistakes or bad performances and using this to do harm to the employee later. However, if poor performance is not confronted on time, it continues and spreads.

It is also important to keep a record of feedbacks given throughout the year as this serves as a basis for the overall evaluation of employee's performance. With regards to Teklehaimanot Plant, more than half of the respondents (53.6%) disagreed that a record is kept. However, it is stated in the collective agreement paragraph 18.6 that immediate supervisors are required to have a face to face discussion with their subordinates every two months to give advice and feedback on their performance and keep a record of this discussion and be able to present it upon request. If no record is kept of feedbacks given throughout the year, both supervisor and employee may forget and this will result in making a performance evaluation that might tend to be subjective. In addition, supervisors will have nothing to back or prove their decision of employees' overall performance ratings.

The other advantage of feedback is that it helps to link individual capacity development so that where gaps are identified; plans can be made for individual development like attending training courses, on the job training or coaching by peers and supervisors. From the responses above, it can be said that this is very weak in Teklehaimanot plant as 53.6% of them disagreed with only



26.4% agreement and 20% partial agreement to supervisors' encouragement and provision of necessary resources by allowing budget to participate in trainings or classes that are helpful in developing/improving individual performances.

**Table 4.3.6 (b) Respondents Views on the Way Appraisal Sessions are Conducted**

Items	Responses									
	SA		A		PA		D		SD	
	F	%	F	%	F	%	F	%	F	%
The appraisal system provides with a chance to evaluate own performance	11	8.8%	22	17.6%	26	20.8%	27	21.6%	39	31.2%
Capability of evaluating own performance objectively	51	40.8%	32	25.6%	20	16%	7	5.6%	15	12%
Performance appraisal is done based on objectives/goals and performance standards as set out in performance plan	25	20%	29	23.2%	37	29.6%	16	12.8%	18	14.4%
Performance evaluation is done in reference to feedback given throughout the year	24	19.2%	26	20.8%	30	24%	18	14.4%	27	21.6%
Performance evaluation is done in reference to specific or one time incidents	21	16.8%	15	12%	26	20.8%	31	24.8%	32	25.6%
Performance evaluation is done in reference to information collected from different sources such as peers, subordinates, etc	10	8%	13	10.4%	25	20%	40	32%	37	29.6%
The appraisal system in the organization provides with an opportunity for an open two way communication with supervisor	26	20.8%	19	15.2%	29	23.2%	25	20%	26	20.8%
Total	168	19.2%	156	17.8%	193	22.1%	164	18.7%	194	22.2%

A total of 52.8% of the respondents disagreed that the performance appraisal system provides them with a chance to evaluate their performance where as 66.4% of them agreed that they are capable of evaluating their own performance objectively. However, according to information

obtained during interview, the performance evaluation system at Teklehaimanot plant does not give a chance to employees to evaluate themselves. With regards to performance appraisal being based on objectives/goals and performance standards as set out in a performance plan, 43.2% expressed their agreement while 27.2% disagreed and 29.6% partially agreed. As it was said above, under the assessment of performance plan, improvement in the performance planning process could result in an improvement to this as well.

In making a comparison between questions of performance evaluation done in reference to feedback given to the employee throughout the year and performance evaluation done in reference to specific or one time incidents, a total of 50.4% of the respondents disagreed that their performance evaluation is done in reference to specific or one time incidents while a total of 28.8% agreed and 20.8% partially agreed to it. A total of 40% of the respondents agreed that their performance evaluation is done in reference to feedback given to them throughout the year while 36% disagreed and 24% gave their partial agreement.

With regards to the gathering of information from different sources for performance evaluation purpose, a total of 61.6% disagreed on the existence of such practice in the performance appraisal process and 18.4% agreed while 20% partially agreed to it. As was confirmed through an interview and as indicated in the employees' handbook as well as the collective agreement, immediate supervisors are responsible for completing performance evaluations for employees under their supervision. Performance review and appraisal form shall be completed one month following the initial date of employment and on an annual and semi-annual basis thereafter for each management and non-management employee.

A number of respondents raised delay in completion of performance appraisals and lack of open communication as some of the problems in the appraisal system in the plant. In this regard, a total of 36% of the respondents agreed while 23.2% expressed their partial agreement and a total of 40.8% disagreed to the existence of an opportunity for an open two way communication in the performance appraisal system. One respondent commented that s/he would prefer that the completion of the appraisal form be done in front of her/him and be given explanation and reason behind each performance rating.

**Table 4.3.6 (c) Respondents' Perception on the Performance Appraisal Knowledge and Capability of Their Supervisors**

Items	Responses									
	SA		A		PA		D		SD	
	F	%	F	%	F	%	F	%	F	%
Supervisor's capability of evaluating performance objectively	40	32%	28	22.4%	25	20%	12	9.6%	20	16%
Supervisor avoids giving lower ratings no matter how bad performance is/was	3	2.4%	13	10.4%	23	18.4%	35	28%	51	40.8%
Supervisor avoids giving higher ratings no matter how well performance is/was	16	12.8%	26	20.8%	24	19.2%	27	21.6%	32	25.6%
Supervisor tends to give average ratings no matter how good/bad performance is/was	7	5.6%	15	12%	30	24%	31	24.8%	42	33.6%
Supervisor gives higher ratings because s/he likes	5	4%	4	3.2%	10	8%	31	24.8%	75	60%
My supervisor gives lower ratings because s/he hates	6	4.8%	4	3.2%	13	10.4%	31	24.8%	71	56.8%
Total	77	10.3%	90	12%	125	16.7%	167	22.3%	291	38.8%

As per the summary above, the majority of respondents disagreed to the tendency of supervisors giving specific ratings due to personal bias. For example the highest percentage of respondents, a total of 84.8% disagreed that their supervisors give them higher ratings because s/he likes them and similarly a total of 81.6% disagreed that their supervisor gives lower ratings because s/he hates them. With regards to supervisors' capability of evaluating performance objectively, a total of 54.4% agreed, 20% partially agreed and a total of 25.6% gave their disagreement.

As detailed in the collective agreement, performance ratings are given on a 1-5 point scale representing 5 = Significantly exceeds all major factors, 4 = Meets major factors, exceeds in some key areas, 3 = Meets major factors, 2 = Fails to meet in one or more key areas, 1 = Definitely poor performance. The value of these points is indicated on the collective agreement

as:  $5 - 3.5 = 100\%$ ,  $3.49 - 2.5 = 80\%$ ,  $2.4 - 2.0 = 60\%$  and below 2 = 20%. It is also stated under paragraph 18.8 of the collective agreement that supervisors must give explanation in cases where they give a performance rating above and below 3.5. However, the researcher believes that this is not the best way to rate employees' performance because it could encourage supervisors to always give average ratings simply to avoid giving explanation. In addition, the points given to the performance ratings should not be in a range. For example, a performance of an employee that is rated as 5 should not be given the same value as the performance of an employee that was rated as 3.5 as this will discourage those who outperformed than others and results in a decline in their motivation and performance. Thus, there should be a mechanism that makes clear differentiation of performance levels.

### 4.3.7 Purposes of the Performance Appraisal System

**Table 4.3.7 Purposes of Performance Appraisal According to Respondents**

Items	Responses									
	SA		A		PA		D		SD	
	F	%	F	%	F	%	F	%	F	%
Information obtained through performance appraisal is used for decision making like promotion, salary increment, demotion, punishment, etc)	52	41.6%	30	24%	16	12.8%	11	8.8%	16	12.8%
Information obtained through performance appraisal is used to plan better for the new performance cycle	42	33.6%	34	27.2%	21	16.8%	11	8.8%	17	13.6%
The result of performance appraisal is used for future developmental plan to improve identified gaps in performance	28	22.4%	30	24%	22	17.6%	25	20%	20	16%
Total	122	32.5%	94	25.1%	59	15.7%	47	12.5%	53	14.1%

A performance appraisal system serves various purposes in an organization like to develop, motivate and communicate employees as well as for legal compliance. The above questions were posed to assess the purpose of the performance appraisal system at Teklehaimanot Plant.

Accordingly, a total of 65.6% agreed that information obtained through their performance appraisal is used for decision making like promotion, salary increment, demotion, punishment, etc while 12.8% partially agreed and 21.6% disagreed. With regards to the use of information obtained through performance appraisal for better planning in the future, a total of 60.8% agreed, 16.8% partially agreed and a total of 22.4% disagreed. As for its use to make future developmental plans to improve identified gaps, a total of 46.4% agreed, 17.6% partially agreed and a total of 36% disagreed. According to information obtained through interview, the main purpose of the performance appraisal system has mainly been for salary increment and promotion. The fact that the appraisal system mainly serves for salary increment purpose, seems to have employees focus on obtaining higher ratings as some employees said that one of the improvements they would like to see in the performance appraisal system was for employees to focus on goal achievement rather than evaluation points. In addition, many respondents raised the issue of training on the open ended questions. Need for planned and regular trainings for better performance, identification of required skills and qualification for developmental purpose were among the issues raised by the respondents.

### 4.3.8 Assessment of the Acceptability and Sensitivity of the Appraisal System

**Table 4.3.8 Employees Perception About the Sensitivity and Acceptability of the Plant's Appraisal System**

Items	Responses									
	SA		A		PA		D		SD	
	F	%	F	%	F	%	F	%	F	%
The performance appraisal system in the organization is capable of differentiating good performers from poor performers	16	12.8%	22	17.6%	19	15.2%	18	14.4%	50	40%
The performance evaluation form used to evaluate performance is suitable for the job	10	8%	13	10.4%	20	16%	35	28%	47	37.6%
The performance appraisal system has helped in improving my performance	12	9.6%	17	13.6%	22	17.6%	20	16%	52	41.6%
The feedback and performance appraisal results given to by supervisor are acceptable	26	20.8%	25	20%	20	16%	13	10.4%	41	32.8%
The performance planning and appraisal system has been helpful to the organization in achieving its objectives	20	16%	19	15.2%	18	14.4%	24	19.2%	44	35.2%
Total	84	13.4%	96	15.4%	99	15.8%	110	17.6%	234	37.44%

The above questions were raised to assess the perception of employees on the acceptability and sensitivity of the performance appraisal system. In this regard, a total of 30.4% agreed, 15.2% partially agreed and a total of 54.4% disagreed that the performance appraisal system in the organization is capable of differentiating good performers from poor performers. In addition to the responses given here, almost 90% of the respondents forwarded their complaint on the

performance evaluation form. In addition it was confirmed during the interview that the performance appraisal form has been in use for over fifteen years and is used across the organization for all job types. Further, points raised in the performance appraisal form tend to be subjective and incapable of evaluating employees based on performance. For example, the performance appraisal form includes issues like attendance and appearance as part of the evaluation criteria. Though the presence of these factors is preferable, it does not necessarily mean that a person who scores high on these areas outperforms a person who scores low on them. In addition, appreciation of appearance differs from person to person thus; it only reflects the rater's perception rather than evaluating the employee's performance towards achievement of organizational or departmental goal. Similarly, people may be punctual and present all the time but could be the least performers compared to those who are not.

In an environment where performance standard is not set at the beginning to differentiate between acceptable and unacceptable levels of performance, performance appraisal entirely depends on the rater's judgment to rank an employee's quality and quantity of work. This may result in non-acceptance of the ratings by the concerned employees. In this regard, a total of 43.2% of respondents said they do not accept performance ratings by their supervisors, 57.6% do not believe the appraisal system has helped them in improving their performance and 54.4% do not believe that the performance planning and appraisal system have been helpful to the organization in achieving its objectives. This shows that majority of the employees perceive that the performance appraisal system does not help to differentiate good performers from poor performers, not functioning properly neither to improve individual performance nor to achieve organizational objectives.

#### **4.3.9 Challenges and Problems in the performance planning and Appraisal processes and Improvements required**

Two open ended questions were forwarded to respondents in order to assess the challenges and problems in the performance planning and appraisal system as well as what improvements they would like to see on these. Accordingly, responses and issues raised repeatedly were categorized and summarized in the table below.

**Table 4.3.9 –Respondent’s Views on Problems & Challenges and Improvements required in the Performance Planning and Appraisal System in the Plant**

<b>Challenges and Problems in the Performance Planning and Appraisal Processes</b>	<b>Improvements employees would like to see in the Performance Planning and Appraisal Processes</b>
No performance planning and where there is lack of follow-up	Job description needs to be able to describe exactly what the employee is doing
No performance planning discussion and no developmental plan	Planned and regular trainings for better performance
Non alignment of performance plan and performance appraisal	Transparent and timely regular feedback to improve performance instead of punishment
Setting of unrealistic or unachievable plans. Plans set in a rush	Setting objective evaluation criteria. Open communication on weak performance and give advice, short trainings to improve weaknesses.
No job description for department heads and middle level management. No consideration for change in work/task and no revision of job descriptions thus giving of same performance ratings year after year	Evaluation to be based only on the job and not personal relations. Emphasis to be given on positive performances as well instead of only on employee weakness
Lack of performance standards and clearly defined evaluation criteria. Most of the time weaknesses are raised and not positive performance thus, causing arguments and decreasing employee motivation.	Identification of required skills and qualification for developmental purposes
Lack of feedback and comments given not related to the work and problems the employee has	Providing the necessary resources for work. Based on plan, provide necessary raw materials and spare parts
Mistakes not corrected on time. Accumulating mistakes/bad performance and using this to harm	A performance plan that is appropriate for the job



employee	
Lowering points due to personal conflict and giving of undeserved high ratings. Focusing on minor mistakes rather than good performances	Inform employees of new work processes, assess capacity and give training on assigned tasks
Evaluation not done on a timely manner and use of inappropriate appraisal form for all job types. Lack of transparency and accountability in the evaluation process	Transparency and open discussion on performance plan and appraisal with due consideration to the company's operational reality
Lack of willingness/kindness to help employees improve their performance. Lack of management control of evaluation process.	Give timely solution for complaints from staff. Regular feedback instead of punishment
Supervisors inability to motivate and not trying to understand the problems of employees	Each employee to have his/her job description and plan on hand and consideration to be given for changes in operation and current situations
Lack of leadership, lack of information as to who is doing what	Employees to focus on goal achievement instead of evaluation points
Employees lack of awareness and training on performance planning and evaluation processes	Engage employees during appraisal and give explanation on the reasons behind specific ratings instead of seeking employees at the end for signature only
Appraisal mainly related with salary increment rather than performance improvement	Training for both supervisors and employees on modern performance management practices

The appraisal system currently in use at Teklehaimanot plant also applies to all other plants of MOHA and any change should come from the head office. According to information obtained through an interview, the human resource department wants to bring change to align the system with modern human resource management practices. In this regard, an initiative was taken by HR staff at head office but did not progress as it did not get the required management back up. However, the HR at Teklehaimanot plant is well aware of the need to implement a sound

performance management system and currently trying to pursue in raising the issue to top management stressing its importance for the achievement of both organizational objectives and development of individual performance in today's competitive and global world.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

This chapter summarizes the results of the study and presents the conclusions and recommendations drawn accordingly. It also tries to show the limitations of the study.

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

The following are the major findings based on the analysis of data collected:

- ❖ Majority of the employees at Teklehaimanot Plant are well aware of the key components of their job and have good understanding of the mission and strategic objectives of the organization as well as the alignment of their department's objective with the strategic objectives of the company. However, not all employees confirmed to have a written job description which is the best way to communicate to employees what they should do, how to do it and what results are expected of them to be achieved. In addition, work requirements are not reviewed regularly and thus, majority of job descriptions remained as they were at the beginning.
- ❖ The performance planning process is weak at Teklehaimanot Plant. It works better in the production and marketing departments that are believed to be the direct means for the achievement of the plant's objectives. Other departments in the plant execute their day to day activities without a formal individual performance plan. In addition, employees complained that where there is plan, there is lack of open discussion between supervisor and employees, lack of setting performance standards and lack of follow-up. As a result, developmental plans are weak and in this regard, supervisors support and encouragement in facilitating trainings and employees' engagement in developmental activities is confirmed to be low with a total of 53.6% disagreement. Team performance planning and determination of individual role accountabilities within a team are also weak.

- ❖ Identification of performance measurement criteria is weak and this follows the lack of performance planning in the majority of the departments. Performance is evaluated against traits, behavior and results. Though the majority of respondents gave their agreement to have a good knowledge of what is expected of them and against what they will be evaluated, this knowledge is not related to the actual performance level they are expected to achieve. Rather, this knowledge seems to have come from the knowledge of the performance appraisal form that has been in use for more than fifteen years. The performance evaluation form does not enable supervisors to evaluate employees' performance objectively. This conclusion is supported by the various complaints and comments that were given to the open ended questions both by employees and supervisors. Many respondents expressed that evaluation points in the appraisal form are too subjective and wished appraisal to be done based only on performance.
- ❖ The practice of giving regular and continuous feedback to employees about their performance is weak. In addition, a record of feedbacks given to employees throughout the year is not kept. Supervisors focus on punishment rather than coaching and guiding. There is a tendency of accumulating mistakes and wrong doings to do harm to the employee later instead of guiding and taking corrective measures like the designing of developmental plan to address performance gaps.
- ❖ Majority of the employees believe that they are capable of evaluating their own performance objectively. However, the practice of employees evaluating themselves does not exist at Tekelehaimanot plant. Performance appraisal is done by immediate supervisors. Employees are required to put their signature on the performance evaluation form after its completion by their immediate supervisor. As is the case for performance planning, the performance appraisal process also lacks open discussion between supervisors and employees. In addition, the value set for performance ratings on a range basis encourages supervisors to avoid giving highest or lowest ratings for the sake of avoiding giving explanation to the points they gave. The non-updating of job descriptions has also resulted in giving same ratings year after year without any consideration to change in tasks and operational reality.

- ❖ The main purpose of the performance evaluation system is for salary increment. This has resulted in employees focusing on performance ratings rather than goal achievement. There also exists the effect of personal bias in evaluating performance objectively.
- ❖ Majority of the employees at Teklehaimanot plant feel that the performance evaluation system fails to differentiate between good performers and poor performers. In addition, the use of the same performance evaluation form for all job types across the plant which is very much subjective has contributed to this. As a result, the performance evaluation system has not helped employees to improve their performance and they think that the system has not been helpful to the organization in achieving its objectives.
- ❖ The human resource department recognizes the problems underlying in the performance planning and evaluation systems and shares the concerns of employees and is determined to bring change that is in line with modern human resource management practices.

## **5.2 Conclusions**

- Use of job descriptions as means of communication does not exist and this leads to confusion. If employees are not encouraged and do not have clear indication as to how to discharge their day to day activities, they would become bored and this would reduce their motivation and make them reluctant in discharging assigned tasks.
- There exists a misunderstanding among supervisors/raters about performance appraisal. The purpose of giving feedback to employees is to help them improve in their performance. If negative performance is not confronted immediately it will escalate and reaches to a stage where the supervisor can no more tolerate and this could lead to conflict. In addition, if no record is kept about feedback, this may result in rejection of administrative decisions made with regards to employees.

- If employees are not evaluated based on the current job they are performing and not given explanation of the reasons behind each rating, they will not be able to know what was done well and what was missing to make an effort to improve their performance. Instead, they will be de-motivated and indifferent of the whole process which makes the appraisal system useless and only a waste of supervisor's time.

### **5.3 Recommendations**

On the basis of the findings and conclusions reached, the following recommendations are forwarded in order to improve the performance planning and appraisal practices as well as in the design and implementation of performance management system at the plant.

- The plant should make use of job descriptions to communicate effectively with employees of what they are expected to do, how to do it and what results to achieve. Revision of current work processes and updating of job descriptions accordingly needs to be done. The human resource department should take the lead and work collaboratively with department heads to ensure that this is done.
- Training to all employees on performance management and provision of a guideline detailing processes to be followed in order to carry out performance plans and evaluation sessions is necessary. This will in raising awareness of all and builds the capacity of supervisors in implementing proper planning and evaluation system.
- Top management should oversee the overall process and ensure timely completion of performance appraisals as well as maintenance of a record on feedbacks given throughout the year to back up overall performance ratings. In addition, top management should back the human resource department in its effort towards implementation of performance management system and work in consultation with other plants to push the issue to the management at head office until it gets the attention it deserves and becomes reality.

- In the meantime, it is recommended to train staff to improve the current practices of performance planning and evaluation processes as this will pave the way to the implementation of performance management system. Since majority of the employees at Teklehaimanot plant are mature people who have served the plant for more than twelve years, they may tend to resist change. Thus, the recommended training will serve to bridge the gap and show the true purpose and advantage of managing performance to both employees and supervisors. However, prior to the design and implementation of any system, it is necessary to carry out an assessment of the organization identifying strengths and weaknesses as well as threats and opportunities as there is no best system that works for all. It is also important to engage employees in the design process as this will increase its acceptability and practicality upon implementation.

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

**Questionnaire to be completed by employees of MOHA Soft Drinks Industry**  
**S.C. Tekelehaimanot Plant**

Dear respondent,

The purpose of this questionnaire is to serve as part of an MBA thesis for a degree in Human Resources Management that aims to assess the practices, benefits, challenges and perception of employees of the performance management system at MOHA Soft Drinks Industry S.C at Teklehaimanot Plant with a specific emphasis on performance planning and appraisal processes.

Listed below are statements that describe aspects of a performance planning and appraisal process. I kindly request you to go through the questionnaires and provide your genuine response. All information you provide will be treated confidentially and will only be used for academic purpose. I thank you in advance for your time and kind cooperation.

Ayantu Dega  
Student

**NOTE: YOU ARE NOT REQUIRED TO WRITE YOUR NAME**

## Score Points

Strongly Agree (SA) – 5 Pts

Disagree (D) – 2 Pts

Agree (A) – 4 Pts

Strongly Disagree (SD) – 1 Pt

Partially Agree (PA) - 3 Pts

No.	Description	SA (5)	A (4)	PA (3)	D (2)	SD (1)
<b>Prerequisites in Performance Management System</b>						
1	I am well aware of the organization's mission, vision and strategic objectives					
2	I know the objectives of my unit/ department are in line with the strategic plans of the company.					
3	My supervisor and I are well aware of the key components of my job (activities, tasks, products, services, processes, etc)					
<b>Job Descriptions</b>						
		<b>SA</b>	<b>A</b>	<b>PA</b>	<b>D</b>	<b>SD</b>
4	I have a written job description of my work					
5	My Job description shows the activities and results that are expected of me and the way tasks and results will be measured					
6	My Job requirements are reviewed regularly and thus my job description is updated accordingly					
<b>Individual Performance Planning</b>						
		<b>SA</b>	<b>A</b>	<b>PA</b>	<b>D</b>	<b>SD</b>
7	At the beginning of each performance cycle, a performance plan is prepared for me on the basis of my job description and cascaded strategic objectives of my unit/department					

8	At the beginning of each performance cycle, my supervisor and I sit together to discuss and agree upon what needs to be done, how it should be done and what results are expected of me					
9	The performance planning discussion between my supervisor and I includes the broad areas for which I am responsible					
10	The performance planning discussion between my supervisor and I includes specific objectives for each of my key accountability (i.e. goals to be reached)					
11	The performance planning discussion between my supervisor and I includes performance standards (i.e. what constitutes acceptable and unacceptable levels of performance)					
12	The performance planning discussion between my supervisor and I includes a developmental plan (i.e. areas that I need to improve and goals I have to achieve in each area)					
<b>Team Performance Planning</b>						
		<b>SA</b>	<b>A</b>	<b>PA</b>	<b>D</b>	<b>SD</b>
13	Performance plans are also prepared for specific and short term objectives that teams are required to achieve					
14	Within a team, individual role accountabilities are well defined					
<b>Strategic alignment</b>						
15	My performance plans start from the company's strategic objectives					
16	My personal objectives are aligned with the strategic objectives of the company					
17	I understand very well the value of my contributions and					

	importance of my work efforts aligned with that of my organization					
<b>Measurement Criteria</b>						
		<b>SA</b>	<b>A</b>	<b>PA</b>	<b>D</b>	<b>SD</b>
18	I am well aware of what is expected of me and against what I will be evaluated					
19	My performance is evaluated against certain traits such as my attitude, personal appearance, initiative, etc.					
20	My performance is evaluated against my task related behaviors (inputs) such as team work, cooperation, customer service orientation, reliability, etc.					
21	My performance is evaluated against results (outputs) that I must produce such as time, quantity, quality of work, etc.					
22	My performance is evaluated against my behaviors (input) and results (output) I produce					
<b>Performance Evaluation/Appraisal</b>						
		<b>SA</b>	<b>A</b>	<b>PA</b>	<b>D</b>	<b>SD</b>
23	I get ongoing performance feedback and coaching					
24	I get feedback on my positive performance					
25	I get feedback on my negative performance					
26	My supervisor keeps a record of feedbacks given to me throughout the year					
27	My supervisor encourages and provides me with the necessary resources by allowing budget to participate in trainings or classes that are helpful in developing/improving my performance					
<b>Appraisal process</b>						
		<b>SA</b>	<b>A</b>	<b>PA</b>	<b>D</b>	<b>SD</b>
28	The appraisal system provides me with a chance to evaluate my own performance					

29	I am capable of evaluating my own performance objectively					
30	My performance appraisal is done based on objectives/goals and performance standards as set out in my performance plan					
31	My performance evaluation is done in reference to feedback given to me throughout the year					
32	My performance evaluation is done in reference to specific or one time incidents					
33	My performance evaluation is done in reference to information collected from different sources such as peers, subordinates, etc					
34	The appraisal system in the organization provides me with an opportunity for an open two way communication with my supervisor					
35	My supervisor is capable of evaluating my performance objectively					
36	My supervisor avoids giving me lower ratings no matter how bad my performance is/was					
37	My supervisor avoids giving me higher ratings no matter how well I perform					
38	My supervisor tends to give me average ratings no matter how good/bad my performance is/was					
39	My supervisor gives me higher ratings because s/he likes me					
40	My supervisor gives me lower ratings because s/he hates me					
<b>Purpose of Appraisal</b>						
<b>SA A PA D SD</b>						
41	Information obtained through my performance appraisal is used for decision making like promotion, salary increment,					

	demotion, punishment, etc)					
42	Information obtained through my performance appraisal is used to plan better for the new performance cycle					
43	The result of my performance appraisal is used for future developmental plan to improve identified gaps in my performance					
<b>Sensitivity and Acceptability</b>						
		<b>SA</b>	<b>A</b>	<b>PA</b>	<b>D</b>	<b>SD</b>
44	In my opinion, the performance appraisal system in my organization is capable of differentiating good performers from poor performers					
45	The performance evaluation form used to evaluate my performance is suitable for my job					
46	The performance appraisal system has helped me in improving my performance					
47	The feedback and performance appraisal results given to me by my supervisor are acceptable to me					
48	In my opinion, the performance planning and appraisal system has been helpful to the organization in achieving its objectives					

49. In your opinion, what are the challenges/problems in the performance planning and appraisal processes in your organization?

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50. What improvements would you like to see in the performance planning and appraisal systems in your organization?

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### Personal Data

Please tick [] on the appropriate box accordingly. This personal data is required only to categorize and present information collected from respondents in a convenient and meaningful manner.

1) Age:  18 – 27                   28 – 37           38 – 47           Above 47

2) Sex:  Female                   Male

3) Marital Status:    Single           Married           Separated

Divorced           Widowed

4) Duration with the Company:    1 – 4 Yrs           5 – 8 Yrs           9 – 12           Above 12

5) Functional Role:    Department Head           Supervisor                   Staff  
 Other (Please specify) \_\_\_\_\_

6) Educational Background:  Read & Write                                   Diploma

10th/12th Complete                   BA/BSc

Certificate                                   MA/MSc

7) Terms of Employment           Permanent                   Contract  
 Other (Please specify)\_\_\_\_\_



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