



St. Mary's ቅዱስ ማርያም  
University የኢክሮቲ  
*Committed to Excellence*

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

**THE EFFECT OF PERFORMANCE MANAGEMENT SYSTEM ON  
EMPLOYEE MOTIVATION: THE CASE OF HIBRET BANK SHARE  
COMPANY**

**BY:**  
**BETHELHEM AYNALÉM BEKELE**

**JULY, 2023**  
**ADDIS ABABA, ETHIOPIA**

**THE EFFECT OF PERFORMANCE MANAGEMENT SYSTEM ON  
EMPLOYEE MOTIVATION: THE CASE OF HIBRET BANK SHARE  
COMPANY**

**BY:**

**BETHELHEM AYNALEM BEKELE**

**SGS/0384/2014A**

**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF  
GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF  
BUSINESS ADMINISTRATION (MBA)**

**ADVISOR**

**SHOA JEMAL (Asst. Prof.)**

**JULY, 2023**

**ADDIS ABABA, ETHIOPIA**

**ST. MARY’S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
**SCHOOL OF BUSINESS**

**THE EFFECT OF PERFORMANCE MANAGEMENT SYSTEM ON  
EMPLOYEE MOTIVATION: THE CASE OF HIBRET BANK SHARE  
COMPANY**

**BY:**

**BETHELHEM AYNALEM BEKELE**

**APPROVED BY BOARD OF EXAMINERS**

**1.\_\_\_\_\_**

**Dean, School of Business**

\_\_\_\_\_

**Signature**

**2.\_\_\_\_\_**

**Advisor**

\_\_\_\_\_

**Signature**

**3.\_\_\_\_\_**

**External Examiner**

\_\_\_\_\_

**Signature**

**4.\_\_\_\_\_**

**Internal Examiner**

\_\_\_\_\_

**Signature**

## DECLARATION

I, Bethelhem Aynalem, hereby declare that this thesis titled “The effect of performance management system on employee motivation: the case of Hibret Bank Share Company” is my original work, prepared under the guidance of Asst. Professor Shoa Jemal. All sources of material used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of earning any degree.

Bethelhem Aynalem

Name

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

\_\_\_\_\_

Signature

**JULY, 2023**

## TABLE OF CONTENT

Acknowledgments .....	i
List of Acronyms/Abbreviations .....	ii
List of Tables .....	iii
List of Figures .....	iv
Abstract .....	v
CHAPTER ONE:INTRODUCTION.....	1
1.1.    Background of the Study.....	1
1.2.    Statement of the Problem .....	3
1.3.    Research Questions .....	5
1.4.    Objectives of the Study .....	5
1.4.1.    General Objective .....	5
1.4.2.    Specific Objectives .....	5
1.5.    Significance of the Study .....	5
1.6.    Scope of the Study .....	6
1.7.    Limitation of the Study .....	6
1.8.    Definition of Key Terms .....	7
1.9.    Organization of the Study .....	7
CHAPTER TWO: REVIEW OF RELATED LITRATURE .....	8
2.1        Theoretical Literature.....	8
2.1.1        Performance Management .....	8
2.1.2        Performance Management vs. Performance Appraisal .....	10
2.1.3        Aims of Performance Management .....	10
2.1.4. Performance Management Process .....	11
2.1.5.    Purposes of Performance Management System .....	15
2.1.6.    The Practices of Performance Management System.....	17
2.1.7.    Motivation.....	19
2.1.7.4.    Importance of Motivation .....	24
2.1.7.5.    Relationship of Performance Management and Motivation .....	24
2.2        Empirical Review.....	25
2.3        Conceptual Framework .....	27
2.4. Research Hypotheses .....	28

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY .....	29
3.1. Research Design and Approaches .....	29
3.2. Population, Sample Size and Sampling Techniques .....	29
3.2.1. Research Population.....	29
3.2.2. Sample Size and Sampling Techniques .....	30
3.3. Sources of Data .....	30
3.4. Data Gathering Instruments .....	31
3.5. Procedures of Data Collection .....	31
3.6. Validity and Reliability .....	31
3.6.1. Validity .....	31
3.6.2. Reliability .....	32
3.7. Method of Data Analysis .....	32
3.8. Ethical Considerations .....	33
CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION .....	34
4.1. Response rate of respondents.....	34
4.2. Demographic Profile of Respondents .....	35
4.3. Descriptive Analysis of Collected Data .....	36
4.4. Explanatory Analysis .....	51
4.4.1. Correlation Analysis .....	51
4.4.2. Testing Assumptions.....	54
4.5. Regression Analysis .....	55
4.6. Hypotheses Test Results .....	60
CHAPTER FIVE: FINDINGS, CONCLUSIONS AND RECOMMENDATIONS .....	63
5.1. Summary of Major Findings .....	63
5.2. Conclusion .....	64
5.3. Recommendations.....	65
REFERENCES .....	67
Appendix I .....	70
Appendix II .....	75

## ACKNOWLEDGMENTS

First and foremost, I would like to give glory and praise to the Almighty God for his invaluable care and support throughout my life.

I'd like to thank my advisor, Shoa Jemal (Assistant Professor), who went out of his way to help me with my study. His prompt advice, tolerance guidance, and useful criticism throughout the course of preparing the paper, constructive corrections, insightful comments, suggestions, and encouragement are especially appreciated. I am also grateful to my families and friends for their assistance and support in preparing this paper. I would also like to express my gratitude to all of the employees of Hibret Bank S.C. who assisted me in clarifying issues, completing the questionnaire, and facilitating the process. I'd also like to thank everyone who helped me while I was conducting the research.

## **LIST OF ACRONYMS/ABBREVIATIONS**

PR= Pre-Requisition

PP= Performance Planning

PE= Performance Execution

PA= Performance Assessment

Prev= Performance Review

Pren= Performance Renewal



## LIST OF TABLES

Table 3.6.2. Reliability Statistics .....	31
Table 4.1 Respondents' response rate.....	33
Table 4.2 Respondents' response rate of demographic profile .....	34
Table 4.3.1. Respondent's view on Pre- Requisites.....	36
Table 4.3.2. Respondent's Opinion on Performance Planning.....	37
Table 4.3.3. Respondent's Perception on Performance Execution .....	39
Table 4.3.4. Respondent's Attitude Towards Performance Assessment .....	41
Table 4.3.5. Respondent's View on Performance Review .....	43
Table 4.3.6. Respondents Opinion on Performance Renewal .....	44
Table 4.3.7. Respondent's Attitude on Performance Management System .....	45
Table 4.3.8. Challenges of implementing performance management system .....	47
Table 4.3.9. Respondent's Perception towards Employee Motivation .....	49
Table 4.4.1. Correlation Analysis Matrix.....	52
Table 4.4.2. Multicollinearity Test .....	55
Table 4.4.3. Residual independence Model Summary .....	56
Table 4.4.4. ANOVA .....	57
Table 4.4.5. Regression Analysis Summary for Predictor Variables .....	58

## **LIST OF FIGURES**

Figure 2. 1 Conceptual Framework.....	27
Figure 4. 1 Scatter plots for employee motivation .....	53

## ***Abstract***

*The purpose of this study was to investigate the effect of performance management system on employee job motivation in case of Hibret Bank S.C. The study used both explanatory and descriptive research designs. A total of 210 employees participated in the study with response rate of 97.22%. The researcher drew on both primary and secondary data sources. The researcher used simple random sampling techniques. The data was analyzed using descriptive and inferential statistics. The results show that Employee motivation has been found to be more affected by performance management process. The findings show that there is a clear relationship between employee motivation and performance management process. The study also found out that performance management system of Hibret Bank have a negative effect on employee motivation due to ineffective goal alignment, poor planning, biased practices, lack of feedback, and dissatisfaction with recognition and measurement. These challenges need to be addressed to enhance the motivational aspects of the performance management system. On top of that, performance assessment is the most affecting variable in employee motivation with beta value 0.475. According to the regression analysis result, performance assessment, performance renewal, pre-requisition, performance execution and performance review has significant effect on employee motivation ( $p < 0.05$ ). On the other hand, performance planning have no significant effect on employee motivation due to the fact that  $p > 0.05$ . Based on the research findings and conclusions the major recommendations are to establish clear performance standards, addressing hindering factors, ensuring fairness in the evaluation process and fostering open communication channels for feedback and concern.*

***Keywords: Employee Motivation, performance Assessment, Performance management***

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1. Background of the Study**

In today's workplace, performance improvement and the role of performance management is an increasingly popular topic. Business pressures are ever-increasing and organizations are now required to become even more effective and efficient, execute better on business strategy, and do more with less in order to remain competitive. Performance management is a broad term, because it does not solely cover one type of discipline. It covers a range of areas that relate to the measuring of individual and group performances and aspects of how individuals could be developed. In today's working environment, especially in corporate conglomerate, the majority of companies have implemented a performance management system to ensure that the staffs they employ deliver as per the targets that were set for them (Armstrong, 2009).

Foot and Hook (2002) described performance management as a process; it is a result of series of actions of which seeks to find ways to get the best performance from all to motivate them to achieve the organization's objectives. Thus, based on Foot and Hook explanation, one of the major aims of performance management is motivating employees so that they are encouraged, recognized and willing to expend more effort on the achievement of their individual goals, as a result organization will achieve what they are planned and aspire for. It can be considered that motivation is regarded as a concept which embraces preferences for particular outcomes, strength of effort and persistence (Huczynski and Buchanan, 2007).

Moreover, Armstrong (2009) explaining the importance of performance management system towards the organization, he stated that the overall objective of performance management is to develop and improve the performance of individuals and teams and therefore organizations. Hence, performance management system is critical and necessary to improve organizational and employees' effectiveness.

Every organization's success mostly relies on the workforce it employs. Employees are the main and unique resource organizations deploy in realizations of their objectives and goals. In today's highly competitive and rapidly changing working environment, organizations need to acquire

and retain the right number of competent employees to gain competitive advantage. In order to acquire and retain qualified personnel, organizations must unfold an HR system and HR management practices that are capable enough to win the heart and mind of employees over competitors. Human Resources Management practices in place are the key determinants of whether workers believe that they are fairly treated, because they exert a major influence on work attitudes (Armstrong, 2009).

Employees play important role in the customer perception about the company. Company spend huge amount of money to gain customer loyalty but they forget the employee's motivation. Customers interact with the employees and also carry out company image in their mind through the behavior and attitude. So companies should move their attention toward the employee motivation. Now in the era of globalization companies face competition in the market, if the companies could not successfully motivate their employee, (Ahmad, 2012).

The factors that enhance employee motivation are fair pay, incentives, special allowances, fringe benefits, leadership, encouragement, trust, respect, joint decision making, quality of supervision, adequate working relationships, appreciation, chances for growth, loyalty of organization, identification and fulfillment of their needs, recognition, empowerment, importance attached to their job, safe working conditions, training and information availability and communication to perform actions, (Aguinis, 2009).

Receiving feedback about one's performance increases the motivation for future performance. Knowledge about how one is doing and recognition of one's past successes provide the fuel for future accomplishments. This is one of many advantages associated with implementation of performance management systems ,in contrast, if performance management system does not work as expected, employees may become upset and may leave the organization .They can leave physically ( i.e. quit) withdraw psychologically( i.e. minimize their effort until they are able to find other job elsewhere (Aguinis, 2005).

Keeping this in mind, this study is carried out to examine analyses and discover the effectiveness of performance management system in motivating employees in Hibret Bank Share Company.

Hibret Bank is one of the Pioneer Private Banks in Ethiopia. Hibret is founded with the underlying rationale that values diversity. The Bank was incorporated as a Share Company on 10

September 1998 GC in accordance with the Commercial Code of Ethiopia 1960. Over the years, Hibret Bank has built a reputation for providing innovative financial solutions to the Ethiopian Banking industry. Furthermore, the Bank's transformational strategy 2030 is implemented to build a strong financial structure and a mutually benefiting "Eco-system" for customers, strategic partners and stakeholder.

Today, Hibret is a reputable Brand in Ethiopia, with more than 400 branches and sub-branches (still expanding), 7600 plus employees out of which 41.8% are women. Hibret Bank is now the preferred Bank by big international and local businesses, Non-governmental organizations and institutions. Hibret Bank S.C. has its 37-storey Headquarters named "Hibir Tower" at the center of the country's financial district. It is a state-of-the-art building with international standard facilities and architectural aesthetics. Hibir Tower is indeed Hibret Bank's legacy to the capital of Africa, Addis Ababa and the nation as a whole.

## **1.2. Statement of the Problem**

Performance management aims at building a high performance culture for both the individuals and the teams so that they jointly take the responsibility of improving the business processes on a continuous basis and at the same time raise the competence by upgrading their own skills within a leadership framework. Its focus is on enabling goal clarity for making people do the right things in the right time. It can be said that the main objective of a performance management system is to achieve the capacity of the employees to the full potential in favor of both the employee and the organization, by defining the expectations in terms of roles, responsibilities and accountabilities, required competencies and the expected behaviors (Armstrong, 2009).

Companies must now think and act worldwide in order to align their strategy with the rapidly changing environment and fierce competition for the most important resource, human capital. Other resources are easily imitated by competitors, while human resources are distinctive and a source of long-term competitive advantage. Motivation of employees indicates a staff that is motivated and devoted to high-quality performance, which will result in enhanced productivity, measured by the quantity and quality of output per hour worked, which appears to be a byproduct of improved working conditions (Lalita K, 2013).

According to Macky and Johnson (2000), the focus of a performance management system should be on constantly improving organizational performance through improved individual employee performance. As a result, employing a performance management system to improve employee performance is a good strategy to boost organizational performance.

The existing body of research on the effect of performance management systems on employee motivation has provided valuable insights. However, there is still a significant gap in understanding the specific mechanisms through which performance management systems affect employee motivation and the contextual factors that moderate this relationship. Specifically, there is a need to investigate how different components of performance management systems affect employee motivation. Understanding this relationship is crucial for developing effective performance management strategies that truly enhance employee motivation. Therefore, this research aims to address these gaps by comprehensively examining the effect of performance management systems on employee motivation.

The researcher was interested to focus on Hibret bank S.C. In connection to this, the researcher had made a sample of preliminary survey interview to know the perceptions of employees about their overall feelings on the existed performance management system. The interview as a preliminary the researcher interviewed four branch Managers, three Customer Service Managers and seven Customer Service Officers of bank professionals.

From the interview the researcher observed that employees have raised some problems on some of the performance management system. Some of particular issues they raised are that: the existing performance management system is not related to reward, the rating point given for some performers does not give a clear picture of the employee's effort, grievance on the criteria used to measure the accomplishment of the intended job, the existence of unfair target difference between the same level of job grade but with different type of activities. From the employees mentioned problems one can understand that employees perception toward performance management system of the bank is low that would lead lowering their motivation on their job. Based on the preliminary sample survey observation as symptom of the problem, the researcher of this study was interested to investigate the effectiveness of performance management system of Hibret bank on employee's job motivation.

### **1.3. Research Questions**

From the above discussed point, the study attempts to address the following questions:-

1. What is the contribution of the performance management system in motivating employees?
2. What is the attitude of employee about the effect of performance management system?
3. What is the relationship between performance management systems and employee motivation?
4. What are the main challenges confronting while implementing performance management system?

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

The research has been conducted with the following general and specific objectives.

#### **1.4.1. General Objective**

The general objective of the study is to investigate the effect of performance management system on employee motivation the case of Hibret bank S.C.

#### **1.4.2. Specific Objectives**

- To assess the contribution of the performance management system in motivating employees.
- To determine the attitude of employee about the effect of performance management system.
- To identify the relationship between performance management systems and employee motivation.
- To identify the main challenges confronting while implementing performance management system.

### **1.5. Significance of the Study**

The findings of this study benefit the organization by providing information about the current level of employee motivation related to the performance management system and how the performance management system is critical to incorporate as a means of enhancing employees' performance in the organization as well as increasing motivation in the workplace. It also



provides insight into the impact of the current performance management system, allowing the organization to take appropriate action to solve the problem.

More specifically, the study significances are listed below:

- ✓ It enables the bank to assess existing performance management system in terms of its motivational function, as well as to work on the system's weaknesses in order to improve it.
- ✓ It provides pertinent information for concerned organs at various levels of management, human resource departments, and labor unions to comprehend the significance of an effective performance management system and its impact on employee motivation.
- ✓ It allows the bank to identify existing gaps in order to develop an effective performance management system that is aligned with the company's strategy.
- ✓ It helps as a reference material for academics and researchers who are interested in conducting similar research.

#### **1.6. Scope of the Study**

The scope of the study is limited conceptually to one of the human resource functions, the performance management system, and its effect on employee motivation. Performance management system is used to measure organizational performance, team performance and individual performance but the study focus only in individual performance. Furthermore, while other factors could be considered to determine the effectiveness of a performance management system, this study is limited to evaluating it based on six variables, which are: pre-requisition, performance planning, performance execution, performance assessment, performance review and performance renewal, which are all part of the process. Geographically, the scope of the study is delimited to West Addis Ababa District of Hibret Bank Share Company.

In connection with methodological delimitation, the researcher used both explanatory and descriptive research design and in order to answer the study questions qualitative and quantitative approach were employed.

#### **1.7. Limitation of the Study**

When conducting the research the researcher faced different limitations The researcher have interest to include all districts and to cover all branches of the bank that are distributed

throughout the country but it was not impracticable economically and timely, for the researcher to cover all this population for this research. Therefore the study only focuses on west Addis Ababa district out of four districts in Addis Ababa.

Moreover the researcher faced difficulty of getting questionnaire filled and returned as the planned time, respondents were not give enough attention for their responses because of their continuous service delivery work.

### **1.8. Definition of Key Terms**

**Motivation:** is a driving force through which people strive to achieve their goals and fulfill a need or uphold a value (Mullins, 2002).

**Performance Appraisal:** is a formal assessment and rating how well an employee is carrying out his or her job; most of time done annually or semiannually (Armstrong, 2006).

**Performance Management:** is a continuous process of management that clarifies mutual expectations, emphasizes the support role of managers and focus on the future (James W.Smithier and Manuel London, 2009)

**Strategy:** a system of finding, formulating and developing a doctrine that will ensure long term success if followed faithfully (Kvint, 2009).

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

The study consists five chapters. Chapter one introduce the background information for both the study and the company; the statement problem; the objective and significance of the study; research questions; and the study's limitations. The second chapter deals with a review of the related literature and empirical review. The third chapter focuses on the research methodology and procedures, including sample size, sampling techniques and methods of data analysis. Chapter Four shows the survey results and explains the findings in detail, including responses and opinions from respondents. The fifth chapter states the implications of the results, as well as conclusions and recommendations.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITRATURE**

#### **2.1 Theoretical Literature**

##### **2.1.1 Performance Management**

According to Robins (2007), performance management is an approach to developing a shared vision of the organization's purpose and goals, assisting each individual employee in understanding and recognizing their role in contributing to them, and thus managing and improving the performance of both individuals and the organization. This viewpoint emphasizes the importance of organizational, team, and individual agreement on goals. The process of directing and supporting employees to work as effectively and efficiently as possible in accordance with the needs of the organization is known as performance management. It refers to aligning human resources with organizational objectives (Walters, 1995).

Armstrong and Baron (1998) define Performance management is defined as a strategic and integrated approach to delivering long-term success to organizations by improving team performance and developing the capabilities of teams and individual contributors. It is the organization's responsibility to build team and individual capacities in order to achieve its goals.

Performance management is the continuous process of identifying, measuring, and developing the performance of individuals and teams, as well as aligning performance with the organization's strategic goals. (Aguinis, 2009)

Armstrong & Baron (2005) state that performance management is a natural management process that contributes to the effective management of individuals and teams in order to achieve high levels of organizational performance. As such, it establishes a shared understanding of what is to be accomplished, as well as a strategy for leading and developing people to ensure that it is accomplished.

Armstrong (2009) defines performance management as a method of improving results by understanding and managing performance within an agreed framework of planned goals, standards, and competency requirements. Performance management is defined as a systematic

process aimed at improving human performance within an organization through the provision of training, development, and promotion, as well as the creation of a participatory environment (Warren, 1982). Performance management is a set of interconnected practices that ensures a person's overall capabilities and potential are appraised, so that relevant goals for work and development can be set, and data on work behavior and performance can be collected and reviewed through assessment (Bratton and Gold, 2007).

performance management is about aligning individual objectives to organizational objectives and ensuring that individuals uphold corporate core values. It requires expectations to be defined and agreed upon in terms of roles, responsibilities, and accountability, as well as skills and behaviors.

The goal is to develop people's capacity to meet and exceed expectations and reach their full potential for the benefit of both themselves and the organization. Importantly, performance management is concerned with ensuring that people have access to the support and guidance they require to develop and improve (Armstrong, 2009).

Performance management is a process that enables employees to perform their roles to the best of their abilities in order to meet or exceed established targets and standards that are directly related to the organization's goals. It is a strategic management technique that supports the firm's overall business goals by linking each individual's work goals to the firm's overall mission (Collings and Wood, 2009).

Performance management is a continuous and adaptable process in which managers and those they manage collaborate in a framework that outlines how they can best work together to achieve the desired results. It is founded on the principle of management by contract and agreement rather than command and control. It is based on consensus and cooperation rather than command and control or coercion. (Armstrong, 2006)

Agreement, measurement, feedback, positive reinforcement, and dialogue are the five primary elements of performance management. It is concerned with comparing outcomes in the form of performance to expectations. It is distinguished by the establishment of ongoing dialogues about performance. It is a continuous and adaptable process in which managers and those they manage collaborate as partners within a framework. It is based on agreement and cooperation rather than control or coercion. Performance management is concerned with the future, with performance

planning and improvement, as well as personal development. It improves team and individual capabilities (Armstrong, 2009).

Performance measures are quantitative or qualitative methods of describing and defining performance. They provide organizations with a tool for tracking progress toward predetermined goals, as well as defining key indicators of organizational performance and customer satisfaction. Performance measurement is the process of evaluating actual progress toward achieving predetermined performance goals. Output and outcome measures are used to manage measurement. Output measures are quantitative or qualitative calculations of recorded activity or effort. Outcome measures are a comparison of a program's results to its intended purpose.

### **2.1.2 Performance Management vs. Performance Appraisal**

According to Azhar and Shehazadi (2013), performance management differs fundamentally from performance appraisal, which is a systematic description of an employee's strengths and weaknesses. As he discussed the issue, performance appraisal, unlike performance management, lacks strategic business consideration. Furthermore, unlike performance management, performance appraisal systems do not include extensive and ongoing feedback for employees, and it is typically a once-a-year event that is often driven by the HRM department, whereas performance management is a year-round way of managing business that is driven by line managers. Furthermore, Armstrong (2006) claims that performance appraisal is frequently backward-looking, focusing on what went wrong rather than looking forward to future development needs.

In addition, James W. Smither and Manuel London (2009) stated that, while the terms performance management and performance appraisal are frequently used interchangeably, performance management is a process that includes more than just assessment. It does, however, include aspects of motivation, situational and environmental influences, measurement design, feedback, and employee development.

### **2.1.3 Aims of Performance Management**

The overall aim of performance management is to create a high performance culture in which individuals and teams take ownership of the continuous improvement of business processes as well as their own skills and contributions within a framework provided by effective leadership.

The goal is to develop people's capacity to meet and exceed expectations and reach their full potential for the benefit of both themselves and the organization. Importantly, performance management is concerned with ensuring that people have access to the support and guidance they require to develop and improve (Armstrong, 2009).

#### **2.1.4. Performance Management Process**

A performance management system is a collection of interconnected activities and processes that are treated holistically as an integrated and critical component of an organization's approach to managing performance through people and developing the skills and capabilities of its human capital, thereby enhancing organizational capability and achieving long-term competitive advantage. However, when a system is first implemented, the following stages are followed (Aguinis, 2009).

##### **Stage1. Pre-Requisites**

Before a performance management system is implemented there are two important prerequisites:-

- (1) Knowledge of the organization's mission and strategic goals and
- (2) Knowledge of the job in question.

Strategic planning allows an organization to clearly define its purpose or reason for existence, where it wants to be in the future, the goals it wants to achieve, and the strategies it will use to achieve these goals. Once the overall goals of the organization are established, similar goals flow downward, with departments setting objectives to support the overall mission and objectives of the organization. The flow effect continues until each employee has a set of goals that are aligned with those of his or her unit and the organization as a whole.

##### **Stage 2: Performance Planning**

The performance planning stage assists in setting goals for employees to achieve a thorough understanding of the performance management system. According to Smither and London (2009) This stage takes the supervisor and the employee to meet at the beginning of each performance cycle to discuss and agree on what needs to be done and how it should be done. This discussion considers: 1) Result 2) Behaviors and 3) Development plan.

**Results:** refer to what must be done or the outcomes that an employee must produce. The key accountabilities, or broad areas of a job for which the employee is responsible for producing results, must be considered when considering results. A discussion of results also includes specific goals that the employee will strive for as part of each accountability. Objectives are statements that specify significant and measurable outcomes. Finally, discussing results entails discussing performance expectations. A performance standard is a yardstick used to assess how well employees have met each goal. Performance standards describe acceptable and unacceptable performance.

**Behaviors:** Although measuring the outcomes of a given job is important, it does not provide a comprehensive picture of the employees' performance. In addition to this, it is sometimes difficult to measure the results of a given job because it is difficult to establish precise objectives and standards for some jobs, and in such cases, behaviors should take precedence over results.

Discussing competencies, which are measurable clusters of knowledge, skills, and attitudes (KSAs) that are critical in determining how results will be achieved, is part of a discussion of behaviors.

**Development Plan:** A development plan must be agreed upon by the supervisor and the employee. This plan should at the very least include identifying areas for improvement and setting goals for each area. Typically, development plans include both outcomes and behaviors. Such plans highlight an employee's strengths and areas for development, as well as a plan of action to improve in areas of weakness and further develop areas of strength (Reyna and Sims, 1995).

The direct supervisor or line manager plays a critical role in developing and implementing the employee development plan. First, the supervisor must explain what is required for the employee to achieve the desired level of performance, including the steps that an employee must take to improve performance. Second, the supervisor plays a key role in directing the employee to appropriate development activities that will help her achieve her goals. Third, the supervisor reviews the development objectives and makes suggestions. In particular, the supervisor ensures that the goals are attainable, specific, and doable. Fourth, the supervisor is primarily responsible for monitoring the employee's progress toward meeting the development objectives. Finally, the

supervisor needs to provide reinforcements so the employee will be motivated to achieve the development goals. Reinforcements can be extrinsic and include rewards such as bonuses and additional benefits, but reinforcements can also include the assignment of more challenging and interesting work that takes advantage of the new skills learned.

### **Stage 3: Performance Execution**

Performance execution is the stage of the process in which the employee is expected to perform or implement the agreed-upon goals established during the performance planning phase by delivering results, behaviors, and developmental plans. The employee bears primary responsibility and ownership of the performance management system's process. As previously stated, at this stage, the employee is expected to exert maximum effort in order to achieve the desired outcome while also exhibiting the required behaviors.

The supervisor also needs to observe, document, gives updates, gives feedback, support with resources and encourage good performance for the employees to effectively execute their performance.

What factors influence whether or not an employee is performing well? Some people perform better than others due to a combination of three factors: declarative knowledge, procedural knowledge, and motivation. Declarative knowledge is information about facts and things, such as the requirements, labels, principles, and goals of a given task. Procedural knowledge is the ability to know what to do and how to do it, and it includes cognitive, physical, perceptual, and interpersonal skills. Motivation involves three types of choice behaviors: the choice to expend effort, the choice of level of effort, and the choice to maintain that level of effort.

### **Stage 4: Performance Assessment**

The performance assessment phase is the stage at which both parties (employee and supervisor) should evaluate whether performance (result) is on track with the desired level of behavior. It is critical that both the employee and the manager take responsibility for the assessment process. The reason for this is that, first it provides useful information for use in the review phase because both parties have a saying. Second, there is a greater chance that the information will be useful in the future (Aguinis H., 2009).



According to Aguinis H. (2009), including self - ratings highlights potential discrepancies between self - views and supervisory views. The disparity between these two perspectives is most likely to prompt development efforts, especially when supervisor feedback is more negative than employee self-evaluations.

The inclusion of self-evaluations is also advantageous in terms of important additional factors. Making the employee assess himself/herself prior to a formal review/appraisal/session allows him/her to have a clear picture of his/her performance level. Self-appraisals can reduce an employee's defensiveness during an appraisal meeting, increase employee satisfaction with the performance management system, and improve perceptions of accuracy and fairness, resulting in system acceptance (Shore, Adams, &Tashchian, 1998).

### **Stage 5: Performance Review**

This stage entails a meeting between the employee and the manager to review their evaluation; this is commonly referred to as the appraisal meeting or discussion. This meeting is significant because it provides a formal setting in which the employee receives feedback on his or her performance, which is essential because it leads not only to performance improvement but also to employee satisfaction and motivation to improve his or her performance. (Rhaman,2006)

According to Armstrong (2009), the performance review should be grounded in the reality of the individual's performance. It is concrete rather than abstract, and it enables managers and individuals to look forward together at how performance can improve in the future and how any issues with meeting performance standards and achieving objectives can be resolved. Overall, the performance review meeting is the means for implementing the five primary performance management elements of agreement, measurement, feedback, positive reinforcement, and dialogue. Even though appraisal meetings /performance reviews/ are important because employees receive formal performance feedback, supervisors are reluctant to do that.

According to Eliane (2004) managers are reluctant to provide candid feedback and have honest discussions with employees for fear of reprisal or damaging relationships with the very individuals they count on to get work done. Employees feel that their managers are unskilled at discussing their performance and ineffective at coaching them on how to develop their skills. Moreover, despite of its importance in performance management, the appraisal meeting is often

regarded as the “Achilles’ heel of the entire process”. This is because many managers are uncomfortable providing performance feedback, particularly when performance is deficient (Kikoski, 1999).

### **Stage 6: Performance Renewal And Reconstructing**

This final stage process is identical to the performance planning component but the main difference is that this stage uses the insights and information gained by the other phases. The cycle is not over after the renewal and reconstructing stage. In fact, the process starts all over again: there needs to be a discussion of prerequisites, including the organization’s mission and strategic goals and the job’s KSAs. Because markets change, customers’ preferences and needs change, and products change, there is a need to continuously monitor the prerequisites so that performance planning, and all the subsequent stages, are consistent with the organization’s strategic objectives. Recall that, in the end, one of the main goals of any performance management system is to promote the achievement of organization (Aguinis, 2009).

#### **2.1.5. Purposes of Performance Management System**

Performance management systems can serve as the foundation for pay decisions, promotion decisions, employee development, and force reductions. In general, because no single system or set of objectives is best suited for all organizations, the goals of a given performance management system should be determined by taking into account business needs, organizational culture, and the system's integration with other human resource management systems(Eliane 2004).

According to Cleverland& Murphy (1989)Performance management system can serve the following six important purposes these are:

#### **Strategic Purpose**

By linking the organization's goal with department, team, and individual goals, a performance management system can reinforce behaviors consistent with achieving organizational goals. Furthermore, linking individual goals with organizational goals serves as a means of communicating the most important business strategic initiatives. Organizations can use their

performance management system to communicate the organization's strategic objectives to their employees in this manner.

### **Administrative Purpose**

The implementation of reward systems based on information provided by the performance management system falls within the administrative purpose. Such administrative decisions include salary adjustments, promotions, employee retention or termination, recognition of superior individual performance, identification of poor performers, layoffs, and merit increases since performance management system is a source of valid and useful information for making decisions about employees. If an organization does not have a good performance management system in place, administrative decisions are more likely to be based on personal preferences, politics, and otherwise biased decisions.

### **Communication Purpose**

Performance management systems also serve as a channel for communicating the organization's and the supervisor's expectations, as well as which aspects of work the supervisor/management/ considers to be the most important. It is an excellent means of communication. Employees are informed about how well they are doing and receive information on specific areas that may need to be improved through the use of an ongoing feedback system from both supervisors and colleagues.

### **Developmental Purpose**

Performance management system provides managers opportunities to give feedback being used to coach employees and to help them to improve performance on an ongoing basis. The developmental purpose includes to both short-term and long-term aspects of development. In the short-term, feedback allows for the identification of strengths and weaknesses as well as the causes for performance deficiencies. In the long-term, its purpose is that employees receive information about themselves that can help them individualize their career paths.

### **Organizational Maintenance Purpose**

Performance management system used to give information about skills, abilities, promotional potential and assignment histories of current employees to be used in human resource planning and to know what kind of talent the organization currently available as well as assessing future training needs, evaluating performance achievements at the organizational level and evaluating the effectiveness of human resource intervention.

### **Documentation Purpose**

Performance management system provides data in which the predictive accuracy newly proposed selection instruments and important administrative decisions can be assessed. This information can be especially important in the case of litigation.

#### **2.1.6. The Practices of Performance Management System**

Though research and practice in the past confirm the difficulty of having an ideal performance management system, there are some criteria used to assess whether systems are best practices or not. In this sense, best practices are systems that are more likely to deliver on their promises. The following points are suggested by James W. and Manuel L. (2009) as those that help in evaluating the soundness of performance management systems.

**Strategic Congruence:** the system should be congruent with the unit and organization's strategy. In other words, individual goals must be aligned with unit and organizational goals.

**Thoroughness:** The system should be thorough regarding four dimensions. First, all employees should be evaluated (including managers). Second, all major job responsibilities should be evaluated (including behaviors and results). Third, the evaluation should include performance spanning the entire review period, not just the few weeks or months before review. Finally, feedback should be given on positive performance aspects as well as those that are in need of improvement.

**Practicality:** the system should not be too expensive, time-consuming, and complicated; and also the benefits of using the system must be seen as outweighing the costs.

**Meaningfulness:** meaningfulness of the system can be expressed in several ways. These are: - the system must consider important standards and relevant information for each job functions, performance assessment must emphasize only those functions under the control of the employee,

evaluation must take place at a regular interval and moments, it should provide for the continuing skill development of evaluators and the result should be applicable to administrative decisions.

**Specificity:** a good system should provide detailed and concrete guidance to employees about what is expected of them and how they can meet these expectations.

**Identification of Effective and Ineffective Performance:** The performance management system should provide information that allows for the identification of effective and ineffective performance.

**Reliability:** a performance management system in order to be said reliable, it should embrace measures of performance that are consistent and free of error.

**Validity:** The measures of performance should also be valid. In this context, validity refers to the fact that the measures include all relevant performance facets and do not include irrelevant performance facets. Measures include what is important and do not assess what is not important and outside of the control of the employee.

**Acceptability and Fairness:** Despite the fact that perceptions of fairness are subjective, the only way to determine whether a system is perceived as fair is to ask participants about distributive and procedural justice. Perceptions of the performance evaluation received relative to the work performed and perceptions of the rewards received relative to the evaluation received constitute distributive justice. Procedural justice refers to people's perceptions of the procedures used to determine ratings and the procedures used to link ratings to rewards. Because both perceptions can have negative consequences if they are not perceived positively, one way to improve both distributive and procedural justice is to establish clear rules that are consistently applied by all supervisors.

**Inclusiveness:** Good systems include input from multiple sources on an ongoing basis. All participants must be given a voice in the process of designing and implementing the system.

**Openness:** a good system provides employees to have clear understanding of the essence of the system and also it increases their belief towards the system. performance is evaluated frequently and performance feedback is provided on an ongoing basis. Therefore, employees are continually

informed of the quality of their performance. The meeting consists of a two-way communication process during which information is exchanged, not delivered only from the supervisor to the employee without his or her input. Standards should be clear and communicated on an ongoing basis. Finally, communications are factual, open and honest.

**Correct Ability:** when employees perceive an error has been made, there should be a mechanism through which this error can be corrected. Establishing an appeals process, through which employees can challenge what may be unjust decisions.

**Standardization:** performance is evaluated consistently across people and time. To achieve this goal, the ongoing training of the individuals in charge of appraisals, usually managers, is a must.

**Ethicality:** Good systems comply with ethical standards. Operationally, this means that the supervisor suppresses his or her personal self-interest in providing evaluations. In addition, the supervisor evaluates only performance dimensions for which he/she has sufficient information and the privacy of the employee is respected (Eddy and Stone 1999).

#### **2.1.7. Motivation**

According to Armstrong M. (2009), motivation is concerned with the strength and direction of behavior and the factors that influence people to behave in certain ways. Motivating other people is to make them move in the direction you want them to go to achieve a result, whereas, motivating yourself is about setting a direction independently and having a course of action that ensure you get there, so motivation can be described as goal-directed behavior.

Motivation is the desire within a person causing that person to act. People usually act for one reason: to reach a goal. Thus, motivation is a goal directed drive, and it seldom occurs in a void. The words need, want, desire, and drive are all similar to motive, from which the word motivation is derived. Understanding motivation is important because performance, reaction to compensation, and other HR concerns are related to motivation. Approaches to understanding motivation differ because many individual theorists have developed their own views and theories. They approach motivation from different starting points, with different ideas in mind, and from different backgrounds. No one approach is considered to be the “ultimate.” Each approach has contributed to the understanding of human motivation (Spurgeon and Harrington 1989).

Various researches have been conducted to search answers for employees' behavior toward their job and the way they do and perform well or poorly in the workplace. There are a number of factors that affect employees' behavior toward their job. One of the major factors is motivation, it is one of the factor that influence employee's behavior and performance. 'Motivation is not simply about working hard, it reflects the jobholder view of his/her own ability' (Robbins and Judge, 2013)

Beardwell et al., (2004) argues that understanding of motivation is important for multitude of reasons. Firstly, it enables organizations to 'humanize' work for employees so that work is inherently more satisfying, the assumption being that organizations have a moral obligation to make work as satisfying and enjoyable as possible. Secondly, an appropriate understanding of motivation allows organizations to make the jobs more satisfying for employees with the company. The underlying assumption is clearly that if employees are happier at work then they will be more productive. Finally, such an understanding enables management to control the behavior of subordinated more effectively and therefore enables management to 'pull the right strings' in order to secure the ability to set the organizational goals and secure their achievement.

#### **2.1.7.1.Role of Motivation**

Why do we need motivated employees? The answer is survival (Smith, 1994). Motivated employees are needed in our rapidly changing workplaces. Motivated employees help organizations survive. Motivated employees are more productive. To be effective, managers need to understand what motivates employees within the context of the roles they perform. Of all the functions a manager performs, motivating employees is arguably the most complex. This is due, in part, to the fact that what motivates employees changes constantly (Bowen & Radhakrishna, 1991). For example, research suggests that as employees' income increases, money becomes less of a motivator (Kovach, 1987). Also, as employees get older, interesting work becomes more of a motivator.

#### **2.1.7.2.Types of Motivation**

Motivation can be divided into extrinsic and intrinsic motivation.

**Extrinsic motivation** refers to external factors, which can be measured in monetary terms, such as salary and benefits, promotion and disciplinary action. Extrinsic motivators can have an immediate and powerful effect, but it will not necessarily last long.

**Intrinsic motivation** refers to internal factors such as job satisfaction, responsibility, freedom to act, scope to use and develop skills, abilities, challenging work and opportunities for development. Intrinsic motivators which are concerned with the “quality of working life” are likely to have a deeper and longer term effect.

These two different aspects of motivation are connected to each other and cannot be seen in isolation, (Thomas Owusu, 2012).

### **2.1.7.3.Motivation Theory**

According to Armstrong, motivation theory underpins all approaches to motivation. The following are the most influential theories:

- Process Theory:** Focuses on the psychological processes that influence motivation, such as expectations, goals, and equity perceptions.

- Content Theory:** This theory focuses on the content of motivation, stating that motivation is essentially about taking action to satisfy needs and identifying the primary needs that influence behavior. Maslow (1954) developed a needs theory, and Herzberg (1957) listed needs that they referred to as "satisfiers" in their two-factor model.

- Instrumentality Theory:** states that rewards or punishments (carrots or sticks) are used to ensure that people behave or act in the desired manner.

Theories of motivation attempt to explain why some employees act or do things differently than others. For the purposes of this study, the researcher will only consider the following theories which related to the study basic research questions:

### **Goal Theory**

Lotham and Locke (1979) advanced the theory by arguing that setting goals for employees can motivate them and thus improve their performance. Employees link targets to organizational goals, assessing themselves and changing their behavior to meet those targets. Performance and



motivation improve when goals are specific. This also occurs when challenging but achievable goals are set and performance feedback is provided. They also emphasize that employees should be involved in goal setting in order to own them. Feedback is also important because it motivates employees to strive for great things. According to Pintrich (2004), employees set different goals in different work situations, and we cannot always assume that goals are always attainable.

According to Locke and Lotham (2002), setting challenging and specific goals does not guarantee employee performance, but the achievement of those goals must be motivating. They both agree that when goals are made public and not imposed on individuals, goal commitment is likely to be high. According to Latham and Locke (1979), goal theory states that when individuals are given specific goals, when those goals are difficult but accepted, and when there is feedback on performance, motivation and performance increase. Participation in goal setting is essential for reaching agreement on the establishment of higher goals. Difficult goals must be agreed upon, and their attainment must be aided by guidance and advice. Finally, feedback is critical for maintaining motivation, especially when it comes to achieving even higher goals (Armstrong, 2009).

According to Drummond (2000), the core of the theory is targeted action, in which employees choose objectives that allow them to meet their aspirations or needs. According to Mitchell (1997), difficult goals motivate more than easier ones; additionally, specific goals motivate more than general goals. Newstrom (2011) believes that setting goals motivates people because there is a gap to be filled between current and future performance. This creates tension, which the employee alleviates by meeting the objectives. This, in turn, increases employee motivation, competence at work, and self-esteem, all of which stimulates the desire for personal development.

### **Expectancy Theory**

Expectancy valence theory is another name for this theory. Vroom (1964) proposed Expectancy Theory, which states that people's expectations of their performance influence their behavior and the reward they seek. It contends that motivation arises from the expected performance outcome and the individual's attachment level to the outcome. Vroom believes that assessing organizational behavior is critical. He contends that people's motivation is determined by their

expectations in terms of the likelihood that effort will result in performance; instrumentality, or the assumed connection between performance and reward; and valence, or the assumed value attached to the reward.

Vroom (1964) also believes that if people accept a goal's worth as true and believe they will achieve it through their actions, they will be motivated to achieve it. According to Vroom's theory, people are motivated to do anything because they place a certain value on the goal and the likelihood of achieving that goal. The theory also assists managers in comprehending the relationship between motivation, performance, and compensation. According to Vroom, motivation is based on the expectation that effort will result in performance.

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

After researching the origins of job satisfaction and discontent among accountants and engineers, Herzberg et al. (1959) created the two-factor model of satisfied and dissatisfied individuals. People are considered to be capable of appropriately reporting the conditions that make them content or unsatisfied with their jobs (Armstrong, 2010).

Frederick Herzberg took an unconventional approach to the subject of motivation. By questioning individuals about what makes them happy on the job and what makes them unhappy, Herzberg arrived at the idea that people are quite different from aspects of the work environment that dissatisfy them. Factors that generate employee unhappiness were called "hygiene" factors by Herzberg because they were part of the context in which the job was performed, rather than the job itself. Company policies, supervision, working conditions, income, workplace safety, and security were all considered hygiene issues. On the other hand, motivators are job-related elements like achievement, recognition, fascinating work, greater responsibility, progression, and growth possibilities. Motivators, according to Herzberg's research, are the factors that actually motivate employees to work harder (Baumeister, 1995). Herzberg (2003) claimed that intrinsic variables are associated to job satisfaction and extrinsic elements are related to job discontent, based on the two categories of motivators, factors that result in job satisfaction and factors that result in job dissatisfaction for employees at work. Herzberg identified two major factors that could lead to job satisfaction: motivators and hygiene factors (Herzberg, 2003). According to Herzberg, motivators are intrinsic factors that allow for psychological growth and development

on the job, such as achievement, advancement, recognition, challenges, responsibility, and the work itself (Wilson, 2010; Ajila&Abiola, 2004).

#### **2.1.7.4.Importance of Motivation**

Employee motivation is a major issue in all organizations, regardless of whether they are skilled, unskilled, or professionals. Employee motivation is another major issue for businesses. In today's competitive world, it is a challenge for management to motivate employees to provide efficient and good services that customers expect. Employee motivation, as well as their enthusiastic and energetic behavior toward task completion, plays a critical role in an organization's success (Thomas Owusu, 2012).

Individual and organizational goals are accomplished through separate processes linked by employee work motivation. Individuals are motivated to achieve their personal goals, so they invest and direct their efforts toward the achievement of organizational objectives in order to meet their personal goals as well. This means that organizational goals are proportional to individuals' personal goals. The manager's job is to ensure that employees are satisfied with their work and that they are self-motivated rather than being directed. The involvement of managers in employee motivation is not as important as it once was. Employees must motivate themselves to put in extra effort.

#### **2.1.7.5.Relationship of Performance Management and Motivation**

According to DeCenzo and Robbins (2010), a performance management system must be able to communicate to employees how well they have performed in relation to established goals. It is also preferable for such goals and performance measures to be mutually agreed upon by the employee and the supervisor. Without proper two-way feedback about an employee's effort and its impact on performance, we risk demotivating him or her.

Employees are more motivated when they have goals and receive feedback on their progress. Although performance management systems can be quite effective in motivating employees and resolving performance issues, only a small number of organizations fully utilize the performance appraisal process. In many organizations, performance management is viewed as a strict activity that both employees and managers despise. Many experts have recommended that a poor performance management system process be eliminated entirely because the problems it can cause are so severe. Robbins and DeCenzo (2010)

According to Noe et al. (2016), an effective performance management system serves a developmental purpose by motivating employees to improve their knowledge and skills. Even employees who are meeting expectations can benefit from hearing and discussing performance feedback. Employees who receive effective performance feedback are aware of their own strengths as well as areas in which they can improve. In conclusion, the relationship between motivation and performance is dynamic and complex, depending on how performance is defined, the nature of the task, how performance feedback is interpreted, and the extent to which environmental factors may limit performance achievements.

## **2.2 Empirical Review**

According to Seleshi H. (2013), performed research on the topic of the impact of PMS on employee motivation the case of EIC(Ethiopian Insurance Company) explained performance management practice was low, due to fact that, employees do not participate in the planning process (setting objective), performance management process could not translate the organizational goal into individual job objective, employees could not get feedback and recognition, hence employees thought that their performances are not accurately measured or employers expectations are not realistic that de-motivate them. Finally, the researcher assured that there was lack of effective PMS that leads to an increased risk of litigation.

According to (zhang, 2012) conducted on the effect of performance management system on employee performance. The researcher used Kruskal-Wallis test and Ordered legit regression analysis. The researcher concluded that setting mission and objectives in planning performance stage could impact negatively on employee performance. Coaching and communication between employees and supervisors also have positive relationship with employee performance.

Oluwatosi (2015) investigated the effect of performance management on organizational productivity in the public sector. A survey research design was used in the study. The collected data was analyzed using simple percentages and Chi-Square (X<sup>2</sup>). The study found that, when done properly, performance management has a catalytic effect on the productivity of public-sector organizations. Based on the findings, the study concluded that performance management enables organizations to measure employees' strengths and weaknesses in relation to their contributions to the overall goal of the organization and thus recommended that government-

owned institutions conduct performance evaluations on a quarterly basis to promote employees' commitment to work.

Mwem Farheen, Faiza, and Syed (2014) investigated the implementation and effectiveness of Alfalah Bank's performance management system. Data was collected and analyzed using this qualitative technique. To identify performance management issues, structured interviews were conducted with employees from Alfalah Bank's various departments. According to the research findings, the employees of Alfalah bank have been experiencing dissatisfaction with their current performance management. Furthermore, Alfalah Bank's current performance management system lacks motivation and a proper reward system.

Abebe Kassaye (2017) concluded in his study titled "The Role of Performance Management Practice on Employees' Motivation: The Case of Commercial Bank of Ethiopia" that an effective performance management system is positively related to employee motivation. He went on to say that "a well-executed performance management process provides a powerful tool for addressing or improving poor performance issues when they are identified." (Abebe Kassaye, 2017, p.78) Abebe Kassaye (2017) concluded in his study titled, The Role of Performance Management Practice on Employee Motivation: The Case of Commercial Bank of Ethiopia, that an effective performance management system is positively related to employee motivation. He went on to say that when poor performance issues are identified, a well-performed performance management process provides a powerful tool for addressing or improving them. (Abebe Kassaye, p.78, 2017).

According to Hafiza N.S. et. al (2011), there is a significant and positive relationship between evaluation and employee motivation, as reward is the source of evaluation, affected one by another, but the research observed that organizations are not offering right amount of reward to their employees in this sector, even if performance pay and fringe benefit do motivate employees to increase their job efficiency in the organizations had been used as case of this study, could not fulfill rewards. Therefore, evaluation that is the source of reward also could not motivate employees in the non-profit organization.

### **2.3 Conceptual Framework**

According to (William 1986) performance management is a continuous process passing through the four cycles, planning, Execution, monitor and review. This is not a coincidence. Performance management is all about continuous improvement. In related to this the performance management processes stated briefly in the literature review are passing through this process and employees are involved by the process.

Based on the literature review the researcher develops the research frame work that is concerning the variables of the research topic. In this research the dependent variable is employee's motivation and the independent variables were pre-requisition, performance planning, performance execution, performance assessment, performance review and performance renewal.

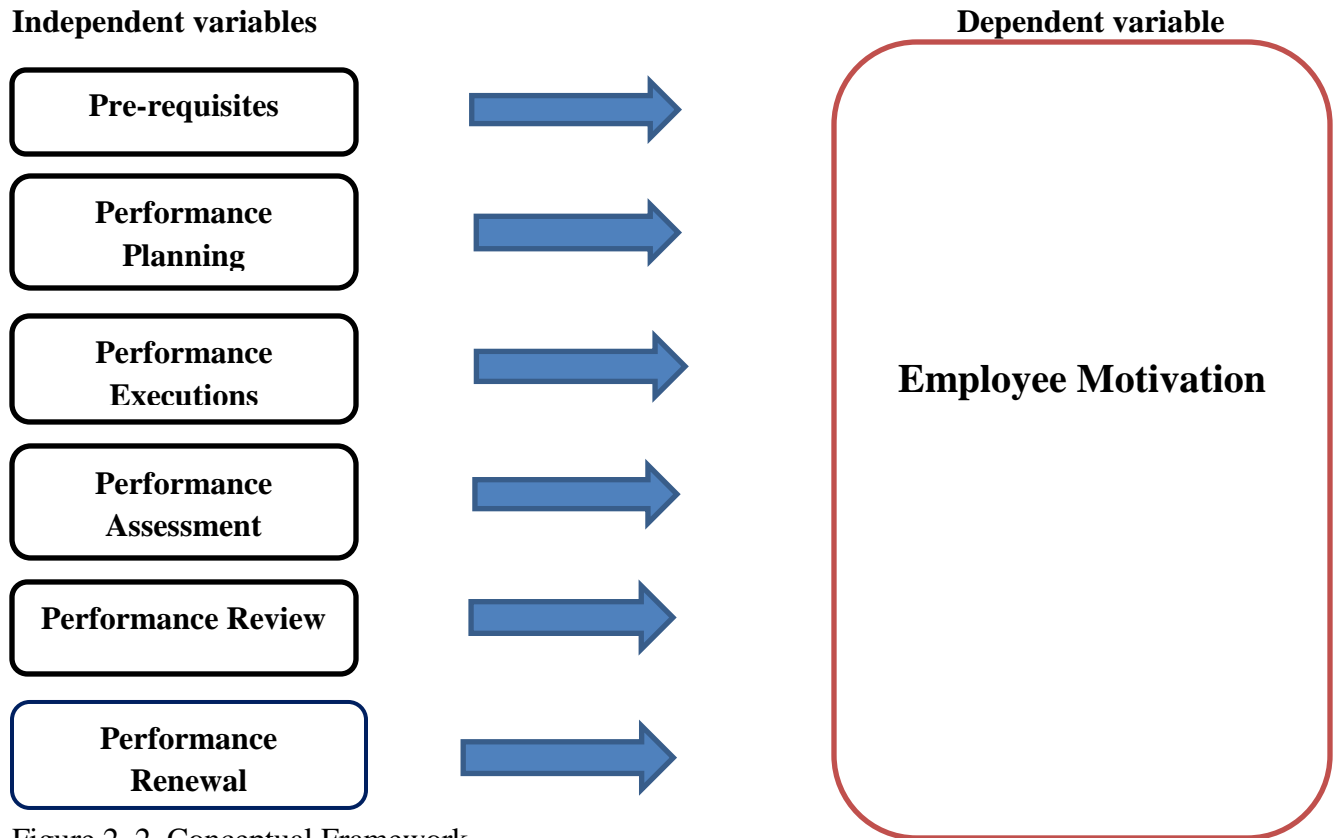


Figure 2. 2 Conceptual Framework

Source: Modified from Abebe Kassaye (2017)

#### 2.4. Research Hypotheses

The following research hypotheses have been designed based on the above conceptual framework.

Hypothesis 1: Pre-requisites has positive and significant effect on employee motivation.

Hypothesis 2: Performance planning has positive and significant effect on employee motivation.

Hypothesis 3: Performance execution has positive and significant effect on employee motivation.

Hypothesis 4: Performance Assessment has positive and significant effect on employee motivation.

Hypothesis 5: Performance review has positive and significant effect on employee motivation.

Hypothesis 6: Performance renewal has positive and significance effect on employee motivation.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1. Research Design and Approaches**

According to Y.K Singh (2006), research design is essentially a statement of the object of the inquiry and the strategies for collecting the evidences, analyzing the data and reporting the findings. The researcher believes that the collected data explained causal relationship between the performance management practices and employees motivation. This depends up on the type of research design to be selected. In order to capture the logical structure of the study, the researcher used explanatory research design and also to assists the researcher in gathering, summarizing, presenting, and interpreting information for clarification descriptive research design was used.

To study the existing situations that prevail in the company accurately and timely in an economic manner, to gathering and analyzing of the necessary data, to examine the performance management system and motivation of employees, the researcher used mixed approach; both qualitative and quantitative research approach.

By using quantitative method, it is easier to analyses the questionnaire data and come up with the findings. On the other hand, since qualitative research is fundamentally interpretative, it is the most appropriate for serving the purpose of this research and the interview data. Moreover, it is preferable to use a method that makes it possible to understand, describe, and discover meaning as at the same time as it is flexible and evolving method (Creswell, 2003).

#### **3.2. Population, Sample Size and Sampling Techniques**

##### **3.2.1. Research Population**

The population of the study will be clerical staffs who attained at least one year of services in the bank. Hibret bank S.C. has over 7000 permanent employees working across the country. For the reasons stated in the scope section, employees from outside Addis Ababa districts were excluded from the study. Furthermore, the study doesn't include all employees at the Addis Ababa districts; because of the homogeneous nature of the districts of the bank in their human resources composition and the standardization of the effectiveness of the performance management system only one: west Addis Ababa district is chosen.



### 3.2.2. Sample Size and Sampling Techniques

The sample size represents a subset of the larger population (Cooper and Schindler, 2003). They argue that in order for the sample to be representative of the population, it must be carefully chosen. Hibret Bank Share Company has 10 districts across the country and four in Addis Ababa (North Addis Ababa, East Addis Ababa, West Addis Ababa and South Addis Ababa). Hibret Bank Share Company has employees working in North Addis Ababa (448), East Addis Ababa (496), West Addis Ababa (472), and South Addis Ababa (400) as of April 2023. For the reasons stated in the scope section, employees from North Addis Ababa, East Addis Ababa and South Addis Ababa were excluded from the study. The researcher used preliminary observations to find the appropriate respondents with the necessary knowledge, experience, and ability to respond to the research questions. As a result, the total number of target populations for the study is 472 employees working in the West Addis Ababa district. The researcher used a simple random sampling technique to obtain a representative opinion from the population. Taro Yemane's (1964) statistical formula will be used to determine the sample, as follows:

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

Where:

n = sample size to be determined

N = population of interest

e = error margin (0.05)

1=constant value

$$n = \frac{472}{1 + 472(0.05)^2}$$

n= 216

Thus, 216 is the sample size

### 3.3. Sources of Data

The researcher used both primary and secondary data sources to complete the study's objectives. The questionnaire was used to collect primary data from sample respondents about: the applicable performance management system and practices; the employee motivation level of the

performance management system used; the employee view of the performance management system; the link between the companies' expected outcome and the effect that performance management has on employee motivation; and employee motivation in relation to performance. The questionnaires were pre tested and modified or refined for reliability and validity issues prior to administration. Secondary data was gathered from reference books, journals, the internet, and an examination of company documents.

### **3.4. Data Gathering Instruments**

In order to get first-hand information as primary data, questionnaires and interview were prepared and used to the selected sample employees. Questionnaires were used to collect primary data as they would help get a satisfactory number of respondents' opinions on the subject under study at a minimum cost and help compare the result with the existing literature. Hence, they will be used to gather the wider group of staff as it was the best solution to overcome the logistical and financial problems of addressing the staff. And also informal interview were used with line managers to get the perception with both side.

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

A total of 216 questionnaires were distributed to employee that are directly related to the performance management system and employees motivation. Some of the questioners were distributed by the researcher in person and some of them were collected through email address. The interview was done by the researcher in person from fifteen (15) line managers.

### **3.6. Validity and Reliability**

#### **3.6.1. Validity**

The validity of data collection instruments was considered to ensure that the instrument could obtain the information that it was designed to obtain and that the data analysis method could measure what it was designed to measure. A questionnaire was distributed to twenty respondents, and the questionnaire items were revised and modified based on their responses. From the design of the questionnaire to the interpretation of the results, several measures were taken to ensure that the results were free of material errors. Such measures allow for the determination of the time required to complete a questionnaire, the clarity of the instructions, the clarity of the questions, the layout of the questionnaire, and other comments.

### 3.6.2. Reliability

The reliability of the primary data is critical in this study because the study relies heavily on the respondents' opinions. The research instruments will be designed in simple and clear language to ensure that respondents understand what each question is meant to ask and that the sequence of questions is requested to increase the likelihood of consistent responses. In order to be relevant to the subject matter, a standard questionnaire that has been slightly customized to suit the research was chosen with a strong foundation from the literature. Prior to the actual administration of the questionnaire, it was pilot-tested to determine the reliability and validity of the information it contained. The Cronbach alpha coefficient was used to assess the variables' reliability, and the results are shown in the table below. The result greater than 0.7, indicating that they have acceptable internal reliability and have been proven to be good.

**Table 3.6.2. Reliability Statistics**

Reliability Statistics		
Variables	Cronbach's Alpha	N of Items
Pre-Requisition	0.783	3
Performance Planning	0.756	4
Performance Execution	0.792	5
Performance Assessment	0.982	4
Performance Review	0.943	3
Performance Renewal	0.894	2

Source: Own survey, 2023

### 3.7. Method of Data Analysis

After collecting the essential information from the respondents, the gathered data will be analyzed by using both explanatory and descriptive data analysis method and quantitative data analysis were also used. According to (Dawson C. 2002) quantitative data analysis is best for large data survey. Also make the analysis easiest and when most efficient statistical software used. The data obtained from questionnaire were coded, processed and analyzed using suitable statistical software called statistical package for the social science (SPSS). Statistics such as frequency, percentage, mean and standard deviation were used to analyze the data. To generate the required results inferential statistics were used to enable the researcher to present the research data in a statistical format, facilitating the identification of important patterns and making data

analysis more meaningful. According to Schuler, R.S. (2000), inferential statistics are used when making generalizations from a sample to the population. The Pearson Product Moment Correlation and regression analyses were used in this study as statistical methods. In addition to this, the study used diagnostic test to test the normality of data. The outputs of the analyzed data presented using tables and diagrams.

### **3.8. Ethical Considerations**

Ethical conduct states that it is the researcher's responsibility to carefully assess the possibility of harm to research participants and that the possibility of harm should be minimized to the greatest extent possible (Bryman & Bell, 2007). During the data collection and interpretation processes, the researcher persuaded the participants that any confidential information they disclosed would be kept confidential, and persuaded them that the study's importance would benefit the company and its employees. The respondents were also informed that the exercise would only be used for academic purposes, that confidentiality would be maintained, and that no one would suffer as a result of any negative findings in connection with their professional duties. This was done in order to encourage them to respond without reservation. Every questionnaire was accompanied by a cover letter that explained the purpose of the survey in detail. The questionnaire did not require respondents to provide their names in order to protect their identities and remain anonymous. As a result, the employees knew from the start what the researcher was doing, why and where the information was going, and why it was being collected. The primary data collected from respondents was kept strictly confidential and destroyed after a reasonable period of time. The process necessitates gathering information from employees' personal files, which necessitates a high level of confidentiality. The researcher was able to access confidential files based on the availability of the person responsible for keeping those records and the location where they are kept. Employee personal data, company policies and strategies, and other highly classified information that must be kept confidential are given value and kept confidential.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

This chapter presents the data analysis and discussion of the research findings obtained from data collected from the survey questionnaire and interview. Responses for the measures on the questionnaire are summarized and presented using tables to facilitate easy understanding.

#### 4.1. Response rate of respondents

Table 4.2 Respondents' response rate

Description		Frequency	Percent
Distributed questionnaires	Returned	210	97.22
	Rejected	6	2.77
	Total	216	100

Source: Own survey, 2023

From a total of 216 distributed questionnaires, 210 were returned, with 6 incorrectly completed and rejected. As a result, 210 were effectively analyzed, yielding a 97% response rate. According to Fowler (2002), a response rate of 75% is considered adequate.

#### 4.2. Demographic Profile of Respondents

Table 4.2 Respondents' response rate of demographic profile

Description		Frequency	Percent	Cumulative Percent
<b>Gender of the respondent</b>	Male	91	43.3	43.3
	Female	119	56.7	100.0
	Total	210	100	
<b>Age of the respondent</b>	18 -30	47	22.4	22.4
	31-40	72	34.3	56.7
	41-50	57	27.1	83.8
	51 and above	34	16.2	100.0
	Total	210	100	
<b>Educational Qualification</b>	Diploma	45	21.4	21.4
	BA/BSc	86	41.0	62.4
	MA/MSc	56	26.7	89.0
	PHD	23	11.0	100.0
	Total	210	100	
<b>Marital Status</b>	Single	94	44.8	44.8
	Married	116	55.2	100.0
	Widowed	0	0	0
	Divorced	0	0	0
	Total	210	100	
<b>Work Experience</b>	Less than 1 year	33	15.7	15.7
	1-5 years	81	38.6	54.3
	6-10 years	67	31.9	86.2
	10 years or more	29	13.8	100.0
	Total	210	100.0	

Source: Own survey, 2023

As shown from the above table 3, the majority of 119 (56.7%) of the respondents were female and the remaining 91 (43.3%) of the respondents were male. Regarding the age group of the

respondents, the greater part of 72 (34.3%) of respondents were within the age category of 31-40 years. The second was 57 (27.1%) within the age category of 41-50 years. The third was 47 (22.4%) within the age category of 18-30 years. Moreover, the fourth group was 34 (16.2%) within the age category of over 51 years old. With regard to the educational qualifications of the respondents, the majority of the respondents were 86 (41.0%) first degree holders. The second group of 56 (26.7%) of the respondents were postgraduates. The third group, 45(21.4%), were holders of college diplomas. In addition, the fourth group, 23 (11.0%) of the respondents, were holders of PHD. This demonstrates that the majority of the company's employees are well-educated.

With regard to the work experience of the respondents, the largest group of respondents, 81 (38.6%), had working experience of 1 to 5 years. The second group of 67 (31.9%) had working experience of 6 to 10 years. The third group, 33 (15.7%) of respondents, has served in the organization for less than 1 years. and the last group, 29 (13.8%), worked for 10 years or more. With regard to the marital status of the respondents, the majority of the respondents were 116 (55.2%) married. The other group, 94 (44.8%) of the respondents, were single.

According to the results of the demographic profile of respondents, the majority of the Hibret Bank S.C. is degree holders, and young and energetic employees were employed at the bank, causing the bank to become more productive and to have a competitive advantage by utilizing the young and productive age groups.

#### **4.3. Descriptive Analysis of Collected Data**

A performance management system is a collection of interconnected activities and processes that are treated holistically as an integrated and critical component of an organization's approach to managing performance through people and developing the skills and capabilities of its human capital, thereby enhancing organizational capability and achieving long-term competitive advantage (Aguinis, 2009). As a result, the researcher divided each question based on the stages of performance management system to analyze the effectiveness of the performance management system, leaving the final section to deal with motivation. The result was analyzed using percentages, means, and standard deviations. Readers should note that as the likert scale used ranges from 1 being strongly disagreed to 5 being strongly agreed, a mean value of more than 3 will show a positive response and vice versa.

**Table 4.3.1. Respondent's view on Pre- Requisites**

Statements	Measurement	Level of agreement						Mean	St. Deviation
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total		
Employee of the bank know the bank’s vision, mission and strategic objectives	Freq.	38	56	55	49	12	210	2.72	1.175
	%	18.1	26.7	26.2	23.3	5.7	100		
	Cum.	18.1	44.8	71.0	94.3	100			
Employee performance support the bank’s strategic business objectives	Freq.	35	72	60	39	4	210	2.55	1.035
	%	16.7	34.3	28.6	18.6	1.9	100		
	Cum.	16.7	51.0	79.5	98.1	100			
Employee of the bank has clear understanding of duties and job responsibilities	Freq.	44	62	39	59	6	210	2.62	1.181
	%	21.0	29.5	18.6	28.1	2.9	100		
	Cum.	21.0	50.0	69.0	97.1	100			

Source: Own survey, 2023

As shown in the table above, this section contains three questions. The first question, whether employee of the bank know the bank's vision, mission and strategic objectives, has the majority of respondents in the range of disagree and neutral; 26.7% disagree; 26.2% neutral; with a mean and SD of 2.72 and 1.175, respectively. As a result, we can say that employees don't know well about the bank's vision, mission and strategic objective. As a result, this is bad performance management practice that the bank should make the employee know over all mission and vision and objective.

The second question asks whether employee performance supports the bank's strategic business objectives, with 18.6% agreeing, 1.9% strongly agreeing, 34.3% disagreeing, and 16.7% strongly disagreeing. The mean and standard deviation were also 2.55 and 1.035 respectively. This implies that most of employee's performance doesn't support the bank's objectives.



The third question concerns Employee of the bank has clear understanding of duties and job responsibilities. According to the results, 28.1 % agree, 29.5% disagree, 2.9% strongly agree, 21.0% strongly disagree, and 18.6% are not sure. The mean and standard deviation were also 2.62 and 1.181, respectively. This shows that the majority of staff feels that employee of the bank don't have clear understanding of duties and job responsibilities, which will affect the performance management process.

**Table 4.3.2. Respondent's Opinion on Performance Planning**

Statements	Measurement	Level of agreement							Mean	St. Deviation
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total			
Employee and line manager discuss and agree on what should be done and how it should be done.	Freq.	45	61	65	36	3	210	2.48	1.055	
	%	21.4	29.0	31.0	17.1	1.4	100			
	Cum.	21.4	50.5	81.4	98.6	100				
The bank’s strategic objectives are aligned with employee performance objectives.	Freq.	46	66	50	40	8	210	2.51	1.142	
	%	21.9	31.4	23.8	19.0	3.8	100			
	Cum.	21.9	53.3	77.1	96.2	100				
Employees have a chance to participate in setting performance standards of the job.	Freq.	49	60	44	48	9	210	2.56	1.197	
	%	23.3	28.6	21.0	22.9	4.3	100			
	Cum.	23.3	51.9	72.9	95.7	100				
Line manager explain what is required from the employee to achieve the desired level of performance.	Freq.	44	59	65	35	7	210	2.53	1.099	
	%	21.0	28.1	31.0	16.7	3.3	100			
	Cum.	21.0	49.0	80.0	96.7	100				

Source: Own survey, 2023

As shown in the table above, this section contains four questions. The first question, whether Employee and line manager discuss and agree on what should be done and how it should be done, has the respondents of 17.1% agree; 1.4% strongly agree, 29.0% disagree, 21.4 strongly disagree and the remaining 31.0% are not sure; with a mean and SD of 2.48 and 1.055, respectively. From this result, we can understand that the majority of staff disagrees with this statement, which shows a gap. According to Herzberg, if performance standards are developed collaboratively, employee motivation will increase, and, as a result, performance will improve.

The second question asks whether the bank's strategic objectives are aligned with employee performance objectives, with 19.0% agreeing, 3.8% strongly agreeing, 31.4% disagreeing, and 21.9% strongly disagreeing; with a mean and SD of 2.51 and 1.142, respectively. This implies that the majority of employees disagree that the bank's strategic objectives are not aligned with employee performance objectives. According to Armstrong (2009), who states that performance management is about aligning individual objectives to organizational objectives and ensuring that individuals uphold corporate core values.

The third question, which is about whether Employees have a chance to participate in setting performance standards of the job, according to the respondents, which is 23.3% strongly disagree, 28.6% disagree; 22.9% agree and 4.3% strongly agree. The mean and SD are 2.56 and 1.197, respectively.

The fourth question concerns whether Line manager explain what is required from the employee to achieve the desired level of performance. According to the results, 16.7 % agree, 28.1% disagree, 3.3% strongly agree, 21.0% strongly disagree, and 31.0% are not sure. The mean and standard deviation were also 2.53 and 1.099, respectively. This shows that the majority of staff feels that the bank doesn't communicate its objectives; it doesn't translate them to individual objectives, which will affect the performance management process.

**Table 4.3.3. Respondent's Perception on Performance Execution**

Statements	Measurement	Level of agreement							Mean	St. Deviation
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total			
Employee bears primary responsibility and ownership of the performance management system’s process	Freq.	44	54	61	39	12	210	2.62	1.172	
	%	21.0	25.7	29.0	18.6	5.7	100			
	Cum.	21.0	46.7	75.7	94.3	100				
Employees exert maximum effort in order to achieve the desired outcome.	Freq.	54	55	57	31	13	210	2.50	1.199	
	%	25.7	26.2	27.1	14.8	6.2	100			
	Cum.	25.7	51.9	79.0	93.8	100				
Line managers observe, document, gives updates and ongoing feedbacks	Freq.	37	50	47	61	15	210	2.84	1.225	
	%	17.6	23.8	22.4	29.0	7.1	100			
	Cum.	17.6	41.4	63.8	92.9	100				
The focus of the existing performance management system is developmental	Freq.	39	75	50	36	10	210	2.54	1.120	
	%	18.6	35.7	23.8	17.1	4.8	100			
	Cum.	18.6	54.3	78.1	95.2	100				
The bank provides the necessary equipment to adequately perform duties	Freq.	51	60	56	32	11	210	2.49	1.167	
	%	24.3	28.6	26.7	15.2	5.2	100			
	Cum.	24.3	52.9	79.5	94.8	100				

Source: Own survey, 2023

This section will have five questions that can best explain if there is adequate performance execution process by delivering results, behaviors and developmental plans. The first question assesses whether Employee bears primary responsibility and ownership of the performance management system's process, Among the respondents, 5.7% strongly agree, 18.6% agree, 25.7% disagree, 21.0 strongly disagree, 29.0% not sure; with a mean and SD of 2.62 and 1.172

respectively. This shows a majority of employees don't feel they have primary responsibility and ownership of the performance management process.

The majority of respondents 26.2% disagreed and 25.7 strongly disagreed, while 14.8% agreed; 27.1% not sure with the statements in the second question, which asks whether Employees exert maximum effort in order to achieve the desired outcome. The mean and standard deviation are 2.50 and 1.199 respectively. This demonstrates that the majority of employees do not believe that they exert maximum effort in order to achieve the desired outcome. According to Armstrong (2009), employee input can play a critical role in achieving the organization's goal, as outcomes will likely meet an agreed-upon standard of performance or level of service.

The third question is intended to determine whether Line managers observe, document, gives updates and ongoing feedbacks. 29.0%, agree, 7.1% strongly agree; 23.8% disagree; 17.6% strongly disagree and 22.4% of the respondents are not sure. The mean and standard deviation are 2.84 and 1.225 respectively. This shows that majority of employees don't believe that they receive ongoing feedback from their supervisors following their work performance.

The fourth question concerns whether the focus of the existing performance management system is developmental; the majority of the respondents which is 35.7% disagree; 18.6% strongly disagree; 17.1% agree; 4.8% strongly agree and 23.8% neutral. The result indicates that majority of employees believe that the existing performance management is not based its aim to developing employee performance. Which make employees to perceive it on a negative way of implementation.

The fifth question which deals with determining whether the bank provides the necessary equipment to adequately perform duties; 28.6% of the respondents disagree, 24.3% strongly disagree, while 15.2% and 5.2% agree and strongly agree respectively. And the remaining 26.7% are not sure, with a mean and SD of 2.49 and 1.167 respectively. This shows that the majority of the employees feel that the bank don't provide the necessary equipment to adequately perform duties.

**Table 4.3.4. Respondent's Attitude Towards Performance Assessment**

Statements	Measurement	Level of agreement						Mean	St. Deviation
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total		
Employee performance is measured based on the basis of pre-established performance standards.	Freq.	45	49	71	33	12	210	2.61	1.153
	%	21.4	23.3	33.8	15.7	5.7	100		
	Cum.	21.4	44.8	78.6	94.3	100			
All factors hindering performances are taken into consideration while assessing the performance.	Freq.	57	52	56	38	7	210	2.46	1.166
	%	27.1	24.8	26.7	18.1	3.3	100		
	Cum.	27.1	51.9	78.6	96.7	100			
The evaluation process in the bank is fair, objective and reasonable.	Freq.	39	51	56	54	10	210	2.74	1.171
	%	18.6	24.3	26.7	25.7	4.8	100		
	Cum.	18.6	42.9	69.5	95.2	100			
If employee have problems with performance evaluation; can communicate their concerns openly to line manager.	Freq.	47	55	53	46	9	210	2.60	1.179
	%	22.4	26.2	25.2	21.9	4.3	100		
	Freq.	22.4	48.6	73.8	95.7	100			

Source: Own survey, 2023

There are four questions in this section. The first question concerns whether Employee performance is measured based on the basis of pre-established performance standards. 23.3% of respondents disagree, 21.4% strongly disagree, 15.7% agree, 5.7 strongly agree, with a mean and standard deviation of 2.61 and 1.153, respectively. As a result of this, we can conclude that there is a gap in the measuring performance based on pre-established performance standards.

The second question concerns whether or not all factors hindering performances are taken into consideration while assessing the performance. 24.8% of respondents disagreed, 27.1% strongly disagreed with this statement, while 18.1% agreed with it and 26.7% of the respondents are not sure; with a mean and standard deviation of 2.46 and 1.166 respectively. From this we can understand that there is some gap about considering all factors while assessing performance.

The third question concerns whether or not the evaluation process in the bank is fair, objective and reasonable. 24.3% of respondents disagree; 18.6% strongly disagree with this statement, while 25.7% agree; 4.8 strongly agree with it; with a mean and standard deviation of 2.74 and 1.171, respectively. We can deduce from this that there is some ambiguity in the performance management process.

The fourth statement concerns whether, If employee have problems with performance evaluation; can communicate their concerns openly to line manager. 26.2% disagree, 22.4 strongly disagree; 21.9% agree; 4.3% strongly agree; the rest 25.2 are not sure with this statement. The mean and standard deviation are 2.60 and 1.179, respectively. From this, we can understand that employees have issue with communicate in a more effective way with their direct reports.

**Table 4.3.5. Respondent's View on Performance Review**

Statements	Measurement	Level of agreement						Mean	St. Deviation
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total		
Employee receives feedbacks on his or her performance based on the given standard.	Freq.	35	60	66	39	10	210	2.66	1.105
	%	16.7	28.6	31.4	18.6	4.8	100		
	Cum.	16.7	45.2	76.7	95.2	100			
Both line managers and employee discuss about the development plan to improve skills and knowledge.	Freq.	69	48	43	42	8	210	2.39	1.237
	%	32.9	22.9	20.5	20.0	3.8	100		
	Cum.	32.9	55.7	76.2	96.2	100			
There is an appeal process if employees don't agree how they are evaluated.	Freq.	29	52	65	53	11	210	2.83	1.114
	%	13.8	24.8	31.0	25.2	5.2	100		
	Cum.	13.8	38.6	69.5	94.8	100			

Source: Own survey, 2023

The first question concerns whether or not Employee receives feedbacks on his or her performance based on the given standard. 28.65% disagree; 16.75 strongly disagree, while 18.6% of the respondents agree and 4.8% strongly agree with the statement; the other 31.4% are not sure. The mean and standard deviation are 2.66 and 1.105 respectively. This shows there is a gap while receiving feedback on performance based on the given standard.

The second questions tries to identify whether or not both line managers and employee discuss about the development plan to improve skills and knowledge. 32.9% strongly disagree; 22.9% disagree; 20.0% agree; 3.8% strongly agree and 2.5% are not sure. The mean and standard deviation are 2.39 and 1.237 respectively. This shows that there is a gap while discussing about the development plan to improve skills and knowledge. According to Elaine D. Pulakos (2004),

it is critical to review performance expectations with employees, including both the behaviors employees are expected to exhibit and the results they are expected to achieve.

The next question concerns whether or not there is an appeal process if employees don't agree how they are evaluated. 24.8% disagree; 13.8% strongly disagree; 25.2% agree; 5.2% strongly agree and 31.0% are not sure; with the mean and standard deviation value of 2.83 and 1.114 respectively. As a result of this, we can conclude that there is a gap regarding this statement.

**Table 4.3.6. Respondents Opinion on Performance Renewal**

Statements	Measurement	Level of agreement						Mean	St. Deviation
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total		
The performance management process of the bank reviewed all over again.	Freq.	50	47	65	39	9	210	2.57	1.165
	%	23.8	22.4	31.0	18.6	4.3	100		
	Cum.	23.8	46.2	77.1	95.7	100			
The Performance management system promotes the achievement of the bank business objective.	Freq.	58	65	46	30	11	210	2.39	1.182
	%	27.6	31.0	21.9	14.3	5.2	100		
	Cum.	27.6	58.6	80.5	94.8	100			

Source: Own survey, 2023

The first question assesses whether the performance management process of the bank reviewed all over again., Among the respondents, 23.8% strongly disagree; 2.4% disagree; 18.6% agree; 4.3% strongly agree, and 31.05 are not sure; with a mean and SD of 2.57 and 1.165 respectively. This shows a majority of employees feel that there is a gap while reviewing the process all over again in renewal stage.

The 31.0% of respondents disagreed, 27.6% strongly disagreed; 14.3% agree; 5.2% strongly agree and 21.9% are not sure with the statements in the second question, which asks whether or



not the Performance management system promotes the achievement of the bank business objective. The mean and standard deviation are 2.39 and 1.182 respectively. This demonstrates that the majority of employees do not believe that the performance management system of the bank doesn't promote the achievement of the bank objective.

**Table 4.3.7. Respondent's Attitude on Performance Management System**

Statements	Measurement	Level of agreement							Mean	St. Deviation
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total			
Performance management system facilitates employees to achieve their career aspirations in the long run.	Freq.	29	42	72	53	14	210	2.91	1.127	
	%	13.8	20.0	34.3	25.2	6.7	100			
	Cum.	13.8	33.8	68.1	93.3	100				
The feedback employee receive is helpful to improve their performance	Freq.	64	64	44	26	12	210	2.32	1.194	
	%	30.5	30.5	21.0	12.4	5.7	100			
	Cum.	30.5	61.0	81.9	94.3	100				
The bank uses performance based payment, such as bonus and incentives to motivate employees.	Freq.	43	41	60	57	9	210	2.75	1.184	
	%	20.5	19.5	28.6	27.1	4.3	100			
	Cum.	20.5	40.0	68.6	95.7	100				
The performance managem process is well designed & leads to better performance & work quality.	Freq.	47	76	45	32	10	210	2.44	1.136	
	%	22.4	36.2	21.4	15.2	4.8	100			
	Cum.	22.4	58.6	80.0	95.2	100				

Source: Own survey, 2023

As shown in the table above, this section deals about attitude of employees towards performance management system of the bank. The first question, whether Performance management system facilitates employees to achieve their career aspirations in the long run. 20.0% disagree; 13.8%

strongly disagree; 25.2% agree; 6.7% strongly agree; 34.3% are not sure; with a mean and SD of 2.91 and 1.127 respectively. As a result, we can say that there is a gap regarding this statement. The second question asks whether the feedback employee receive is helpful to improve their performance, with 12.4% agreeing, 5.7% strongly agreeing, 30.5% disagreeing, and 30.5% strongly disagreeing and 21.0% not sure. This implies that the majority of employees feel that the feedback they receive is not helpful to improve their performance.

The third question, which is about whether the bank uses performance based payment, such as bonus and incentives to motivate employees. The majority of the respondents, which is 27.1%, agree, while 19.5% disagree. The mean and SD are 2.75 and 1.184 respectively. From this result, we can understand that the majority of staff agrees with this statement.

The fourth question concerns whether the performance management process is well designed and leads to better performance and work quality. According to the results, 36.2 % disagree, 22.4% strongly disagree, 15.2% agree, 4.8% strongly agree, and 21.4% are not sure. The mean and standard deviation were also 2.44 and 1.136 respectively. This shows that the majority of staff feels that the bank performance management process is not well designed and will not leads to better performance and work quality.

Table 4.3.8. Challenges of implementing performance management system

Statements	Measurement	Level of agreement						Mean	St. Deviation
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total		
There is lack of employees training and development in performance management process	Freq.	34	54	73	42	7	210	2.69	1.070
	%	16.2	25.7	34.8	20.0	3.3	100		
	Cum.	16.2	41.9	76.7	96.7	100			
There is poor understanding of employees towards performance management practices.	Freq.	56	66	40	41	7	210	2.41	1.172
	%	26.7	31.4	19.0	19.5	3.3	100		
	Cum.	26.7	58.1	77.1	96.7	100			
There is inadequate commitment of top and line management towards performance management practice	Freq.	36	46	65	53	10	210	2.79	1.144
	%	17.1	21.9	31.0	25.2	4.8	100		
	Cum.	17.1	39.0	70.0	95.2	100			
There is carelessness of employees to exert their effort to attain performance objectives.	Freq.	47	76	39	37	11	210	2.47	1.170
	%	22.4	36.2	18.6	17.6	5.2	100		
	Cum.	22.4	58.6	77.1	94.8	100			

Source: Own survey, 2023

This section has four questions that can best explain challenges of implementing performance management system in the bank. The first question assesses whether there is lack of employees training and development in performance management process, with 3.3% strongly agree and 20.0% agree, 25.7% disagree 16.2% strongly disagree and 34.8% are not sure; with a mean and SD of 2.69 and 1.070 respectively. As a result of this, we can conclude that there is a gap regarding this statement.

The second question, which asks whether there is poor understanding of employees towards performance management practices. With 31.4% disagree; 26.7% strongly disagree; 19.5% agree; 3.3% strongly agree and 19.0% are not sure. The mean and standard deviation are 2.41 and 1.172, respectively.

The third question is intended to determine whether there is inadequate commitment of top and line management towards performance management practice. 25.2% agree, 21.9% disagree; 17.1% strongly disagree; 4.8% strongly agree and 31.0% are not sure. The mean and standard deviation are 2.79 and 1.144, respectively.

The fourth question concerns whether there is carelessness of employees to exert their effort to attain performance objectives. According to the results, 17.6 % agree, 36.2% disagree, 5.2% strongly agree, 22.4% strongly disagree, and 18.6% are not sure. The mean and standard deviation were also 2.47 and 1.170, respectively.

Table 4.3.9. Respondent's Perception towards Employee Motivation

Statements	Measurement	Level of agreement							Mean	St. Deviation
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total			
The bank is willing to invest on employees development and motivation based on performance review result.	Freq.	30	67	64	41	8	210	2.67	1.064	
	%	14.3	31.9	30.5	19.5	3.8	100			
	Cum.	14.3	46.2	76.7	96.2	100				
The development opportunity within the bank motivates employee to perform better.	Freq.	59	50	57	37	7	210	2.44	1.169	
	%	28.1	23.8	27.1	17.6	3.3	100			
	Cum.	28.1	51.9	79.0	96.7	100				
performance is fairly measured based on agreed-upon objectives at the start of employee assignment	Freq.	35	56	54	51	14	210	2.78	1.183	
	%	16.7	26.7	25.7	24.3	6.7	100			
	Cum.	16.7	43.3	69	93.3	100				
The safe and conducive working condition has encouraged me to produce high performance at work.	Freq.	37	73	50	38	12	210	2.60	1.142	
	%	17.6	34.8	23.8	18.1	5.7	100			
	Cum.	17.6	52.4	76.2	94.3	100				

Source: Own survey, 2023

This section contains four questions that attempt to determine an employee's level of motivation, which will be explained by the mean values. When asked questions about whether the bank is willing to invest on employees development and motivation based on performance review result. 31.9% and 14.3% of the respondents disagreed and strongly disagreed respectively with the statement, while 19.5% of the respondents agreed; with the mean and standard deviation of 2.67 and 1.064 respectively. This implies that the employees believe that the bank is not willing to invest on employees development and motivation based on performance review result.

The second question concerns whether the development opportunity within the bank motivates employee to perform better. 23.8% and 28.1% of the respondents disagreed and strongly disagreed respectively with the statement, while 17.6% of the respondents agreed with the mean and standard deviation of 2.44 and 1.169 respectively. From this, we can understand that the majority of the respondents believe that the bank development opportunities are not motivating enough for employees to perform better.

The third question concerns whether performance is fairly measured based on agreed-upon objectives at the start of employee assignment. With 26.7% disagree; 16.7% strongly disagree; 24.3% agree; 6.7% strongly agree and 25.7% are not sure; with a mean and standard deviation of 2.78 and 1.183 respectively. The results show that most respondents believe performance is not fairly measured based on agreed upon objectives.

The next question deals with whether the safe and conducive working condition has encouraged me to produce high performance at work. With 34.8% disagree; 17.6% strongly disagree; 18.1% agree; 5.7% strongly agree and 23.8 are not sure; with a mean and standard deviation of 2.60 and 1.142 respectively. The results show that the majority of the respondents are not encouraged to produce high performance out of the safe conducive working condition.

#### **4.4. Explanatory Analysis**

##### **4.4.1. Correlation Analysis**

Correlation analysis is a technique for indicating the relationship between two variables. It is a standardized covariance that shows the extent to which a change in one variable corresponds systematically to a change in another (Zikmund et al., 2013). The Pearson's Product Moment Correlation Coefficient ( $r$ ) measures the degree of association between the independent variables (pre-requisites, performance planning, performance execution, performance assessment, performance review and performance renewal) and the dependent variable (Employee Motivation). It accepts values ranging from -1 to 1. A value of  $r$  close to 1 indicates a strong positive linear association, while a value of  $r$  close to -1 indicates a strong negative linear association. When  $r = \pm 1$ , the two variables are perfectly correlated, i.e., all of the points are on a straight line (Coetzee, 2003). There is a perfectly linear positive or negative relationship

between the two sets of data when the correlation is 1 or -1; when the correlation is 0, there is no relationship between the two sets of data.

According to Coetzee (2003), the greater the magnitude of the correlation between the independent variable and the dependent variable, the stronger the linear association. The standard correlation coefficient is Pearson's  $r$ , and it primarily applies to variables that are distributed along interval or ratio scales of measurement. Correlations of 0.01 to 0.30 are considered small, correlations of 0.31 to 0.70 are considered moderate, correlations of 0.71 to 0.90 are considered large, and correlations of 0.91 to 1.00 are considered very large. Marczyk, Dematteo & Festinger (2005).

Table 4.4.1.below shows the inter-correlations between the variables being investigated. In other words, depicts the correlation matrix between the independent variables (pre-requisites, performance planning, performance execution, performance assessment, performance review and performance renewal) and the dependent variables (employee motivation). According to the results of the analysis, motivation has both positive and negative correlation with the independent variables, ranging from (-0.280) to (0.703).Employee motivation has positive linear association with performance review, performance assessment, performance renewal and pre-requisition; while having negative linear association with performance planning and performance execution.

The symbol "\*\*\*" indicate that each variable is significantly correlated with each other at a  $p < 0.01$  level of significance. Pre-requisition has a very weak positive correlation with Employee Motivation ( $r = 0.050$ ,  $p = 0.470$ ). The correlation is not statistically significant. Performance planning has a weak negative correlation with Employee Motivation ( $r = -0.101$ ,  $p = 0.143$ ). The correlation is not statistically significant. Performance execution has a strong negative correlation with Employee Motivation( $r = -0.280$ ,  $p < 0.01$ ). The correlation is statistically significant. Performance assessment has a strong positive correlation with Employee Motivation( $r = 0.677$ ,  $p < 0.01$ ). The correlation is statistically significant. As a result, the table below shows that Performance review and assessment have the most significantly correlated and strong relationship with employee motivation of all performance variables.

**Table 4.4.1. Correlation Analysis Matrix**

Correlations								
		Preq	PP	PE	PA	Prev	Pren	EM
Preq	Pearson Correlation	1	.007	.081	.239**	.097	.186**	.050
	Sig. (2-tailed)		.925	.245	.000	.160	.007	.470
	N	210	210	210	210	210	210	210
PP	Pearson Correlation	.007	1	.205**	-.099	-.058	.000	-.101
	Sig. (2-tailed)	.925		.003	.152	.399	.999	.143
	N	210	210	210	210	210	210	210
PE	Pearson Correlation	.081	.205**	1	-.146	-.251**	-.195**	-.280**
	Sig. (2-tailed)	.245	.003		.035	.000	.005	.000
	N	210	210	210	210	210	210	210
PA	Pearson Correlation	.239**	-.099	-.146*	1	.564**	.523**	.677**
	Sig. (2-tailed)	.000	.152	.035		.000	.000	.000
	N	210	210	210	210	210	210	210
Prev	Pearson Correlation	.097	-.058	-.251	.564**	1	.691**	.703**
	Sig. (2-tailed)	.160	.399	.000	.000		.000	.000
	N	210	210	210	210	210	210	210
Pren	Pearson Correlation	.186**	.000	-.195	.523**	.691**	1	.672**
	Sig. (2-tailed)	.007	.999	.005	.000	.000		.000
	N	210	210	210	210	210	210	210
EM	Pearson Correlation	.050	-.101	-.280	.677**	.703**	.672**	1
	Sig. (2-tailed)	.470	.143	.000	.000	.000	.000	
	N	210	210	210	210	210	210	210
**. Correlation is significant at the 0.01 level (2-tailed).								

Source: own survey, 2023



#### 4.4.2. Testing Assumptions

##### Linearity

A mathematical relationship or function that can be graphically represented as a straight line, such as two quantities that are directly proportional to each other, is referred to as linearity. It is the ability to obtain test results that are directly proportional to the amount of analyze in a given range. The property of data such that a straight line fits as well (using the least-squares criterion) as any other mathematical function as a description of the relationship between method response and analytic concentration (Coetzee, 2003).

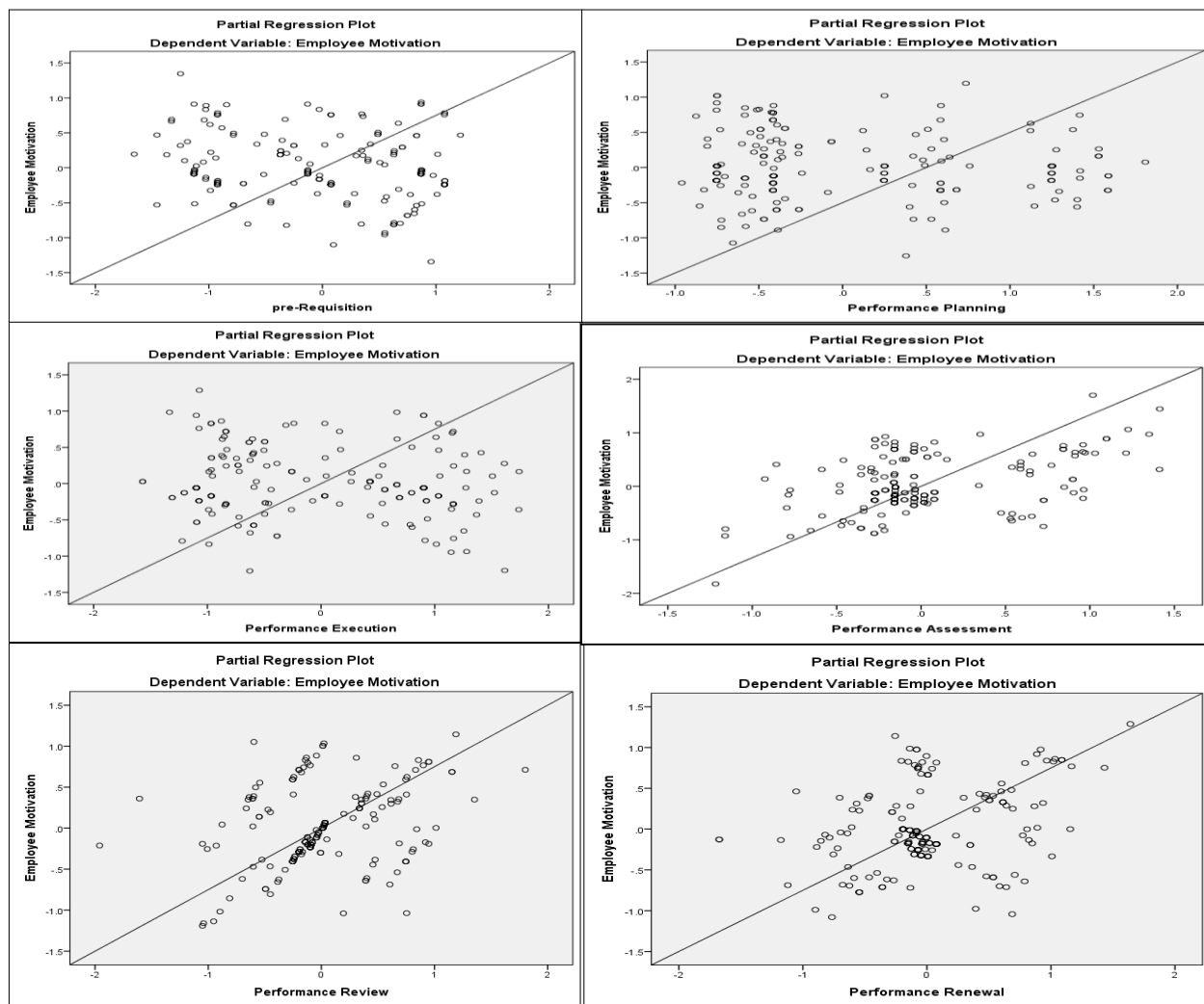


Figure 4. 2 Scatter plots for employee motivation

Source: Own study 2023

A model that links the answer Y to the predictors X1, X2, X3, Xn is expected to be linear in the regression parameters, according to Chatterjee & Hadi (2012). According to the findings of this particular study, there is a linear relationship between the employee motivation, that is the dependent or response variable, and (pre-requisition, performance planning, performance execution, performance assessment, performance review and performance renewal), which are the independent or predictor variables.

#### **4.5. Regression Analysis**

This section investigates how a portion of the variation in each of the independent variables explains variation in the dependent variable (employee motivation). Furthermore, regression analysis can show which variables are significant or not (which variables passed the t-test and which did not) and can indicate the magnitude and level of the coefficient on the importance of the variables. In the case study, linear regression analysis was used to investigate the effect of the independent variables (pre-requisites, performance planning, performance execution, performance assessment, performance review and performance renewal) on the dependent variable (employee motivation). To do so, we calculate the coefficient of determination and test its significance, as well as the regression line and its slope. R<sup>2</sup> denotes the goodness of fit test or the overall strength of the association between the dependent (employee motivation) and the independent variables (pre-requisites, performance planning, performance execution, performance assessment, performance review and performance renewal) in Hibret Bank S.C.

It enables us to make statements about how well one or more independent variables predict the value of a dependent variable.

#### **Multicollinearity**

Multicollinearity occurs when the independent variables are highly correlated with one another. One major assumption in multiple regression analysis is the existence of a very high correlation between the study's independent variables, which is referred to as multicollinearity (Burns, 2008). This could result in an inconsistent effect in which the regression model fits the data well but none of the predictor variables has a significant effect on predicting the dependent variable. Because the highly correlated variables in a multiple regression analysis predict the same variance in the dependent variable, it is difficult to identify the unique contribution of each variable in predicting the dependent variable. In this case, the overall P value may be significant,

but the P values for each predictor may not be. While testing Multicollinearity using tolerance and VIF statistics; According to Burns (2008), a VIF value greater than 10 indicates a serious Collinearity problem. Field (2009) emphasizes that values for tolerance of less than 0.1 indicate serious problems.

As shown in table below, in this study, all of the independent variable determinants of employee motivation (pre-requisites, performance planning, performance execution, performance assessment, performance review and performance renewal) were found to have a tolerance of more than 0.1 and a VIF value of less than 10, indicating that there is no problem of multicollinearity.

Table 4.4.2. Multicollinearity Test

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.636	.214		2.970	.003		
	Preq	-.103	.038	-.115	-2.714	.007	.914	1.094
	PP	-.028	.040	-.029	-.703	.483	.945	1.058
	PE	-.065	.034	-.083	-1.934	.054	.886	1.128
	PA	.475	.064	.385	7.467	.000	.618	1.619
	Prev	.277	.060	.278	4.610	.000	.451	2.219
	Pren	.295	.060	.284	4.889	.000	.485	2.063
a. Dependent Variable: EM								

Source: Own survey, 2023

For every unit increase in the predictor variable Preq, the dependent variable EM decreases by -0.103 units. The standardized coefficient indicates that Preq has a small negative effect (-0.115) on EM. The t-value (-2.714) suggests that the coefficient is statistically significant ( $p < 0.05$ ). PP: The predictor variable PP has a coefficient of -0.028, indicating that a unit increase in PP

leads to a decrease of -0.028 units in EM. The standardized coefficient is -0.029, suggesting a small negative effect. However, the t-value (-0.703) indicates that the coefficient is not statistically significant ( $p > 0.05$ ). PE: A unit increase in the predictor variable PE results in a decrease of -0.065 units in EM. The standardized coefficient is -0.083, indicating a small negative effect. The t-value (-1.934) suggests that the coefficient is marginally statistically significant ( $p = 0.054$ ). PA: For every unit increase in PA, the dependent variable EM increases by 0.475 units. The standardized coefficient is 0.385, indicating a moderate positive effect. The t-value (7.467) suggests that the coefficient is highly statistically significant ( $p < 0.001$ ).

The predictor variable Prev has a coefficient of 0.277, indicating that a unit increase in Prev leads to an increase of 0.277 units in EM. The standardized coefficient is 0.278, suggesting a moderate positive effect. The t-value (4.610) indicates that the coefficient is statistically significant ( $p < 0.001$ ). A unit increase in Pren results in an increase of 0.295 units in EM. The standardized coefficient is 0.284, indicating a moderate positive effect. The t-value (4.889) suggests that the coefficient is statistically significant ( $p < 0.001$ ).

### Normality of residuals

Table 4.4.3. Residual independence Model Summary

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.817 <sup>a</sup>	.667	.658	.439	2.002
a. Predictors: (Constant), PR, PP, PE, PA, PRev, Pren					
b. Dependent Variable: EM					

Source: own survey, 2023

The model summary provides information about the performance and reliability of the regression model used to predict the dependent variable (EM) based on the given predictors (PR, PP, PE, PA, PRev, Pren).

R: The coefficient of determination (R-squared) value is 0.667. This indicates that approximately 66.7% of the variability in the dependent variable (EM) can be explained by the predictors included in the model. R Square: The R-squared value (0.667) indicates the proportion of the

total variation in the dependent variable that can be accounted for by the predictors. In this case, about 66.7% of the variability in EM is explained by the predictors. Adjusted R Square: The adjusted R-squared value (0.658) takes into account the number of predictors and the sample size. It provides a more conservative estimate of the proportion of variation explained by the predictors, considering the complexity of the model. In this case, approximately 65.8% of the variability in EM is explained by the predictors, adjusted for the model's complexity.

The standard error of the estimate (0.439) represents the average difference between the actual values of the dependent variable and the predicted values by the model. It gives an indication of the accuracy of the predictions made by the model. A lower value suggests better accuracy. Durbin-Watson: The Durbin-Watson statistic (2.002) is used to detect the presence of autocorrelation in the residuals of the model. It ranges from 0 to 4, where a value close to 2 suggests no significant autocorrelation. In this case, the value of 2.002 indicates that there is no strong evidence of autocorrelation in the residuals

Table 4.4.4. ANOVA

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	78.371	6	13.062	67.888	.000 <sup>b</sup>
	Residual	39.058	203	.192		
	Total	117.429	209			
a. Dependent Variable: Employee Motivation						
b. Predictors: (Constant), PR, PP, PE, PA, PRev, Pren						

Source: own survey, 2023

Based on the above ANOVA table, the analysis is examining the relationship between the predictors (PR, PP, PE, PA, PRev, Pren) and the dependent variable, Employee Motivation. Regression: This section represents the variance explained by the regression model. The sum of squares for regression is 78.371, with 6 degrees of freedom (Df). The mean square is 13.062. The F-statistic is 67.888, indicating the overall significance of the regression model. The associated significance level (Sig.) is .000, which is less than the conventional threshold of .05, suggesting that the regression model is statistically significant.

Residual: This section represents the unexplained variance or the error term. The sum of squares for the residual is 39.058, with 203 degrees of freedom. The mean square is .192, representing the average unexplained variance per degree of freedom.

In summary, the regression model as a whole (including all the predictors) is statistically significant in explaining the variance in Employee Motivation. The predictors collectively account for a significant amount of the total variation in the dependent variable.

Table 4.4.5. Regression Analysis Summary for Predictor Variables

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.636	.214		2.970	.003
	Preq	-.103	.038	-.115	-2.714	.007
	PP	-.028	.040	-.029	-.703	.483
	PE	-.065	.034	-.083	-1.934	.054
	PA	.475	.064	.385	7.467	.000
	Prev	.277	.060	.278	4.610	.000
	Pren	.295	.060	.284	4.889	.000
a. Dependent Variable: EM						

Source: own survey, 2023

The table shows the unstandardized coefficients (B), standard errors (Std. Error), standardized coefficients (Beta), t-values (T), and p-values (Sig.) for each independent variable.

The equation for the regression model can be written as:

$$EM = 0.636 - 0.103Preq - 0.028PP - 0.065PE + 0.475PA + 0.277Prev + 0.295Pren$$

The constant term in the equation is 0.636. It represents the expected value of EM when all independent variables are zero. For a one-unit increase in Preq, holding all other variables constant, the expected value of EM decreases by 0.103. This coefficient has a t-value of -2.970, indicating that it is statistically significant at the 0.01 level ( $p = 0.007$ ). The coefficient for PP is

-0.028, indicating that a one-unit increase in PP is associated with a 0.028 decrease in the expected value of EM. However, this coefficient is not statistically significant ( $p = 0.483$ ). Similarly, for a one-unit increase in PE, holding other variables constant, the expected value of EM decreases by 0.065. The coefficient has a t-value of -1.934, suggesting a marginal level of significance ( $p = 0.054$ ).

A one-unit increase in PA is associated with a 0.475 increase in the expected value of EM. The coefficient has a t-value of 7.467, indicating it is highly statistically significant ( $p < 0.001$ ). For a one-unit increase in Prev, the expected value of EM increases by 0.277. The coefficient has a t-value of 4.610, indicating it is statistically significant ( $p < 0.001$ ). Pren: Similarly, a one-unit increase in Pren is associated with a 0.295 increase in the expected value of EM. The coefficient has a t-value of 4.889, indicating it is statistically significant ( $p < 0.001$ ).

#### **4.6. Hypotheses Test Results**

The hypothesis is analyzed based on the coefficients and correlations:

Hypothesis 1: Pre-requisites have a negative and significant effect on employee motivation.

The unstandardized coefficient (-0.103) indicates that as the pre-requisites increase, employee motivation decreases. However, the standardized coefficient (-0.115) suggests a weaker effect. The correlation (0.050) between pre-requisites and employee motivation is not statistically significant. Hypothesis 1 suggests that pre-requisites have a negative and significant effect on employee motivation. However, the results do not support this hypothesis. The unstandardized coefficient (-0.103) indicates that as pre-requisites increase, employee motivation decreases. However, the standardized coefficient (-0.115) suggests a weaker effect, indicating that the relationship is not as strong as initially expected. Additionally, the correlation (0.050) between pre-requisites and employee motivation is not statistically significant. These findings suggest that there may be other factors or variables at play that have a stronger influence on employee motivation, rather than just pre-requisites alone.

Hypothesis 2: Performance planning has a negligible effect on employee motivation.

The unstandardized coefficient (-0.028) and the standardized coefficient (-0.029) are both small, indicating a weak relationship. The correlation (0.081) between performance planning and

employee motivation is not statistically significant. Hypothesis 2 states that performance planning has a negligible effect on employee motivation. The results of the analysis support this hypothesis. Both the unstandardized coefficient (-0.028) and the standardized coefficient (-0.029) are small, indicating a weak relationship. Furthermore, the correlation (0.081) between performance planning and employee motivation is not statistically significant. These findings suggest that performance planning may not be a significant driver of employee motivation in this context.

Hypothesis 3: Performance execution has a negative and significant effect on employee motivation.

The unstandardized coefficient (-0.065) suggests that as performance execution increases, employee motivation decreases. The standardized coefficient (-0.083) indicates a slightly stronger effect. The correlation (-0.280) between performance execution and employee motivation is statistically significant. Hypothesis 3 proposes that performance execution has a negative and significant effect on employee motivation. However, the results do not support this hypothesis. The unstandardized coefficient (-0.065) suggests that as performance execution increases, employee motivation decreases. The standardized coefficient (-0.083) indicates a slightly stronger effect. However, the correlation (-0.280) between performance execution and employee motivation is statistically significant. These results indicate that performance execution may have a more complex relationship with employee motivation, and additional factors may need to be considered to fully understand this relationship.

Hypothesis 4: Performance assessment has a positive and significant effect on employee motivation.

The unstandardized coefficient (0.475) indicates that as performance assessment increases, employee motivation also increases. The standardized coefficient (0.385) suggests a moderate effect. The correlation (0.677) between performance assessment and employee motivation is statistically significant. Hypothesis 4 suggests that performance assessment has a positive and significant effect on employee motivation. The results strongly support this hypothesis. The unstandardized coefficient (0.475) indicates that as performance assessment increases, employee motivation also increases. The standardized coefficient (0.385) suggests a moderate effect size.



Additionally, the correlation (0.677) between performance assessment and employee motivation is statistically significant. These findings indicate that effective performance assessment practices can positively affect employee motivation.

Hypothesis 5: Performance review has a positive and significant effect on employee motivation.

The unstandardized coefficient (0.277) suggests that as performance review increases, employee motivation increases as well. The standardized coefficient (0.278) indicates a similar effect size. The correlation (0.703) between performance review and employee motivation is statistically significant. Hypothesis 5 states that performance review has a positive and significant effect on employee motivation. The results strongly support this hypothesis. The unstandardized coefficient (0.277) suggests that as performance review increases, employee motivation also increases. The standardized coefficient (0.278) indicates a similar effect size. Furthermore, the correlation (0.703) between performance review and employee motivation is statistically significant. These results highlight the importance of regular performance reviews in fostering employee motivation.

Hypothesis 6: Performance renewal has a positive and significant effect on employee motivation.

The unstandardized coefficient (0.295) suggests that as performance renewal increases, employee motivation increases. The standardized coefficient (0.284) indicates a similar effect size. The correlation (0.672) between performance renewal and employee motivation is statistically significant. Hypothesis 6 proposes that performance renewal has a positive and significant effect on employee motivation. The results support this hypothesis. The unstandardized coefficient (0.295) suggests that as performance renewal increases, employee motivation increases as well. The standardized coefficient (0.284) indicates a similar effect size. Additionally, the correlation (0.672) between performance renewal and employee motivation is statistically significant. These findings emphasize the significance of providing opportunities for employees to renew and refresh their performance to maintain high motivation levels.

Overall, based on the coefficients and correlations, Hypotheses 1, 2, and 3 are not supported. Hypotheses 4, 5, and 6, on the other hand, receive support, indicating that performance assessment, performance review, and performance renewal have positive and significant effects on employee motivation.

## **CHAPTER FIVE**

### **FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

This chapter states the summary of the study findings. Based on the key findings conclusions and recommendations are drawn.

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

This study's main objective was to determine the effect of performance management system on employee job motivation. The study's findings are listed below:

- The majority of respondents were female employees (56.7%), suggesting that women dominate the workforce at Hibret Bank S.C.
- The age group of 18-30 years comprised the largest portion of employees (43.3%), indicating a young and potentially energetic workforce that could provide a competitive advantage in the banking industry.
- Academic status: Most employees held a bachelor's degree (41.0%), followed by postgraduates (26.7%), indicating a well-educated workforce with the potential to contribute significantly to the bank's competitive strength.
- Employees perceive a lack of alignment between the bank's strategic objectives and their own performance objectives.
- There is potential lack of effective communication and collaboration between employees and their managers.
- Employees feel excluded from participating in setting performance standards and lack clarity regarding what is required from them to achieve desired performance levels.
- Employees not feel fully engaged or accountable for their own performance management.
- There is a positive perception of manager involvement in the performance management process.
- Majority of employees do not believe that the bank provides the necessary equipment to adequately perform their duties. This suggests a potential issue in terms of resource provision and may impact employee productivity and effectiveness.

- Majority of employees do not believe that all factors hindering performance are taken into consideration during the assessment process. This suggests a potential gap in understanding or awareness of the comprehensive evaluation of performance.
- There is potential communication barrier or lack of trust in the feedback process.
- The responses vary, and there is no clear consensus on the system's effectiveness in supporting long-term career goals.
- There is a general dissatisfaction with the effectiveness of the feedback provided in supporting performance improvement.
- The data indicates that there is a lack of agreement among employees regarding the bank's willingness to invest in employees' development and motivation based on performance review results.
- The correlation coefficient was calculated to investigate the relationship between performance management and employee motivation. As a result, high correlations were found for performance review ( $r = 0.703$ ,  $p < 0.01$ ), performance assessment ( $r = 0.677$ ,  $p < 0.01$ ) and performance renewal ( $r = 0.672$ ,  $p < 0.01$ ).
- The ANOVA result indicates that F value is 67.888 and is significant at 0.000, which shows that the result couldn't have happened by chance.
- The regression model as a whole (including all the predictors) is statistically significant in explaining the variance in Employee Motivation. The predictors collectively account for a significant amount of the total variation in the dependent variable.
- Multicollinearity test indicate that Pre-requisition, Performance execution, and Performance planning have relatively small or negligible effects on the dependent variable Employees motivation. However, Performance Assessment, Performance review, and Performance renewal have significant positive effects on Employees Motivation, with Performance Assessment having the strongest influence.

## 5.2. Conclusion

- The performance management system at Hibret Bank does not effectively motivate the majority of employees. Employees are dissatisfied with the recognition they receive and believe their performance is not fairly measured against agreed-upon objectives.

- The current performance management system at Hibret Bank fails to motivate employees due to various factors such as lack of clear goals, poor performance planning, biased and unclear practices, and inadequate feedback.
- Employees perceive the performance management system at Hibret Bank as biased, unclear, and not transparent. They value the importance of continuous feedback in improving job performance but do not receive regular, timely, and constructive feedback.
- The lack of clear goal alignment between organizational goals and individual job objectives affects employee motivation. Insufficient recognition and dissatisfaction with performance measurement contribute to low motivation.
- Line managers and employees do not engage in discussions and agreements regarding goals and processes. Some of the stages of performance planning system is poorly designed, resulting in improved performance and work quality. There are issues with fairness, transparency, and clarity in the performance management system.
- In summary, the performance management process of Hibret Bank have a negative impact on employee motivation due to ineffective goal alignment, poor planning, biased practices, lack of feedback, and dissatisfaction with recognition and measurement. These challenges need to be addressed to enhance the motivational aspects of the performance management system.

### **5.3. Recommendations**

- There is lack of clarity or alignment among employees regarding the bank's vision, mission, strategic objectives, and their own roles and responsibilities. This suggests a potential need for improved communication, training, and clarity within the organization to enhance employee knowledge, performance, and alignment with strategic goals.
- Improving the developmental aspect of the performance management system and ensuring adequate provision of equipment can contribute to a more effective and productive work environment.
- The summary reveal areas of concern related to the measurement of employee performance based on pre-established standards, consideration of hindering factors during performance assessment, perception of fairness in the evaluation process, and open communication about performance evaluation concerns has a gap therefore it is suggested that there must be improvements in establishing clear performance standards,

addressing hindering factors, ensuring fairness in the evaluation process, and fostering open communication channels for feedback and concerns are needed.

- Employees have a moderate level of agreement regarding the review of the performance management process and the system's promotion of bank business objectives. However, there is some variability in responses, suggesting that there may be differing perspectives or experiences among employees. It may be beneficial to conduct a thorough review of the performance management process to address any concerns or areas of improvement identified by employees and ensure better alignment with the bank's business objectives. Additionally, clear communication and transparency regarding the goals and impact of the performance management system can help enhance employee understanding and engagement.

## REFERENCES

- Aguinis, H. (2009). *Performance management*. (2nd edn). Upper saddle river, NJ: Pearson Prentice Hall.
- Armstrong M. (1994). *Performance management: key strategies and practical Guidelines*. (3rd edn). Great Britain: Kogan page Limited.
- Armstrong M. (2000). *Performance management: key strategies and practical guidelines*. (2nd edn). London: Kogan page.
- Armstrong M. (2003). *A hand book of human resource management practice*. (11th edn). London: kogan page.
- Armstrong, M. and Baron, A. (2004). *Managing performance: performance management in action*. London: CIPD.
- Barnard, M. (2003). *The impact of performance management in organization*. Journal of Business Management and economics. 2 (3), 124-130.
- Bill, M. (2007). *Building an integrated talent management strategy*. Briefing Paper from the economist intelligence unit 8.
- Cleveland, J.N and Murphy, R.R. (1989). *Multiple uses of Performance Appraisal*, Prevalence & correlates. Journal of Applied Psychology, 74, 130-135
- David A. DeCenzo & Stephen P. Robbins (2005), *Fundamentals of Human Resource Management*, 8th edition, P. 246.
- Dawson, C. (2002). *Practical research methods: A user-friendly guide to mastering research techniques and projects*. Oxford: How to Books Ltd.
- Elaine D. Pulakos. (2004). *Performance management: a road map for developing, implementing*

and evaluating performance management system. United States of America: SHRM foundation.

Foot, M. and Hook, C. (2002). *Introducing Human Resource management Harlow*: Pearson Education Ltd.

Herzberg, F. (2003). One more time: how do motivate employees? *Harvard Business Review*, 81, 86-96.

Herzberg, F., Mausner, B., & Snyderman, B.B. (1959). *The motivation to work*. New York: JohnWiley & Sons.

James W. Smither and Manuel London. (2009). *Performance management*. San Francisco: A Wiley Imprint.

Keith F Punch (2006), “*Developing effective research proposal*”, 2 nd edition, P.3.

James W. Smither and Manuel London.(2009). *Performance management*. San Francisco: A Wiley Imprint.

Krett (2000) B. (2007). *Different relationships between perceptions of developmental performance appraisal and work performance*. *Personnel Review*, 36(3) 378-397.

Kandula, S. (2006). *Performance management*. New Delhi: Prentice Hall of India private limited.

Kikoski, J. F. (1999). *Effective communication in the performance interview: face to face communication for public managers in the culturally diverse workplace*. Public personnel management.

LalitaK.(2013). ‘Factors Influencing Job Satisfaction of College’s Teachers’. *International Journal of Research in Economics & Social Sciences*. 3(2): 1-9.

- Locke, E.A., & Latham, G.P. (1979). *A Theory of Goal-setting and Task Performance*. Englewood Cliffs, NJ: Prentice Hall.
- Locke, E.A., Smith, K.G., Erez, M.E., Chah, D-Ok, & Shaffer, A. (1994). *The effects of Intra individual goal conflict on performance*. Journal of Management, 20, 67-91.
- Markczyk, G. DeMatteo, D. and Festinger, D. (2005). Essentials of research design and methodology. New Jersey: John Wiley& Sons Inc.
- Muhammad Shaukat Malik. (2013), *Performance Appraisal and Employee's Motivation: A Comparative Analysis of Telecom Industry of Pakistan*, Pakistan Journal of Social Sciences (PJSS), Vol. 33, No. 1 pp. 179-189.
- Nadeem, I., Naveed, A., Zeeshan, H., Yumna, B., & Qurat-ul-ain (2013). *Impact of performance appraisal on employee's performance involving the moderating role of motivation*. Arabian Journal of Business and Management Review, 3(1), 37 - 56.
- Schuler randall S. (2000). *The internationalization of Human Resource Management*, Journal of knowledge management, 12(6)-pp 48 -55.
- Smither, J. and London, M. (2009). Performance management. San Francisco: A Wiley Imprint
- Vroom, V. (1964) Work and Motivation, Wiley, New York.
- Wilson, G. (2010). The effects of external rewards on intrinsic motivation



## Appendix I

St. Mary's University

College of Business and Economics

School of graduate studies

Questionnaire to be filled by Employees of Hibret Bank Share Company

Dear Respondents,

This questionnaire is designed for research topic “the effect of performance management system on employee job motivation; the case of HIBRET BANK S.C.” for the partial fulfillment of masters’ degree in business administration at St. Mary’s University.

The research is for academic purposes only, and any information you provide will be kept strictly confidential. As a result, it is no need to state your name or any other identification of you and I respectfully request that you complete the questionnaire truthfully with due diligence.

If you want my clarification or have additional opinion you can contact me by:  
[bethelhemaynalem23@gmail.com](mailto:bethelhemaynalem23@gmail.com).

Thank you for your co-operation in advance

### PART I. Demographic Characteristics of the respondents

Please put (√) mark to select the response

1. Gender      Male      ☐      Female      ☐
2. Age
- 18 -30      ☐      31-40      ☐      41-50      ☐      51 and above      ☐
3. Educational Qualification
- Diploma      ☐      BA/BSc      ☐      MA/MSc      ☐      PHD      ☐

#### 4. Marital status

Single ☐ Married ☐ widowed ☐ Divorced ☐

#### 5. Work experience

Less than 1 year ☐ 1-5 years ☐ 6-10 years ☐ 10 years or more ☐

### Part II. Employee opinion survey related to performance management system

Please put (✓) for your responses' on the space provided parallel to numerical symbols for the following part II questions. Numerical symbols for the statements indicate that: if you Strongly Agree(SA)= 5, Agree(A)= 4, Neutral(N) =3, Disagree(D)= 2 and Strongly Disagree(SD)=1

#### Pre- Requisites

S. NO.	Statements	5 SA	4 A	3 N	2 D	1 SD
1	Employee of the bank know the bank's vision, mission and strategic objectives					
2	Employee performance support the bank's strategic business objectives					
3	Employee of the bank has clear understanding of duties and job responsibilities					

#### Performance Planning

S. No.	Statement	5 SA	4 A	3 N	2 D	1 SD
1	Employee and line manager discuss and agree on what should be done and how it should be done.					
2	The bank's strategic objectives are aligned with employee performance objectives.					
3	Employees have a chance to participate in setting performance standards of the job.					
4	Line manager explain what is required from the employee					

	to achieve the desired level of performance.					
--	--	--	--	--	--	--

### **Performance Execution**

<b>S. NO.</b>	<b>Statement</b>	<b>5 SA</b>	<b>4 A</b>	<b>3 N</b>	<b>2 D</b>	<b>1 SD</b>
<b>1</b>	Employee bears primary responsibility and ownership of the performance management system's process					
<b>2</b>	Employees exert maximum effort in order to achieve the desired outcome.					
<b>3</b>	Line managers observe, document, gives updates and ongoing feedbacks					
<b>4</b>	The focus of the existing performance management system is developmental					
<b>5</b>	The bank provides the necessary equipment to adequately perform duties					

### **Performance Assessment**

<b>S. NO.</b>	<b>Statement</b>	<b>5 SA</b>	<b>4 A</b>	<b>3 N</b>	<b>2 D</b>	<b>1 SD</b>
<b>1</b>	Employee performance is measured based on the basis of pre-established performance standards.					
<b>2</b>	All factors hindering performances are taken into consideration while assessing the performance.					
<b>3</b>	The evaluation process in the bank is fair, objective and reasonable.					
<b>4</b>	If employee have problems with performance evaluation; can communicate their concerns openly to line manager.					

### Performance Review

S. NO.	Statement	5 SA	4 A	3 N	2 D	1 SD
1	Employee receives feedbacks on his or her performance based on the given standard.					
2	Both line managers and employee discuss about the development plan to improve skills and knowledge.					
3	There is an appeal process if employees don't agree how they are evaluated.					

### Performance Renewal

S. NO.	Statement	5 SA	4 A	3 N	2 D	1 SD
1	The performance management process of the bank reviewed all over again.					
2	The Performance management system promotes the achievement of the bank business objective.					

### Attitude of the employee

S. NO.	Statement	5 SA	4 A	3 N	2 SD	1 D
1	Performance management system facilitates employees to achieve their career aspirations in the long run.					
2	The feedback employee receive is helpful to improve their performance					
3	The bank uses performance based payment, such as bonus and incentives to motivate employees.					
4	The performance management process is well designed and leads to better performance and work quality.					

### Challenges of implementing performance management system

S. NO.	Statement	5 SA	4 A	3 N	2 SD	1 D
1	There is lack of employees training and development in performance management					
2	There is poor understanding of employees towards performance management practices.					
3	There is inadequate commitment of top and line management towards performance management practice					
4	There is carelessness of employees to exert their effort to attain performance objectives.					

### Employee Performance Management System Vs. Motivation

S. NO.	Statement	5 SA	4 A	3 N	2 SD	1 D
1	The bank is willing to invest on employees development and motivation based on performance review result.					
2	The development opportunity within the bank motivates employee to perform better.					
3	performance is fairly measured based on agreed-upon objectives at the start of employee assignment					
4	The safe and conducive working condition has encouraged me to produce high performance at work.					

## **Appendix II**

### **St. Mary's University**

### **College of Business and Economics**

### **School of graduate studies**

#### **Interview Question**

1. How do you ensure that the organization's mission and strategic goals are effectively communicated to your team members in order to align their individual goals with those of the organization?
2. Can you describe your approach to performance planning and goal setting with your employees? How do you ensure that goals are clear, measurable, and aligned with the overall objectives of the organization?
3. How do you address the challenge of measuring performance outcomes for jobs that may not have easily quantifiable results or specific objectives? How do you prioritize behaviors in such cases?
4. What steps do you take to create a development plan for your employees? How do you identify areas for improvement and set goals to enhance their strengths and address weaknesses?
5. How do you monitor the progress of your employees in meeting their development objectives? What strategies or tools do you use to track their improvement and provide feedback along the way?
6. How do you handle the performance assessment phase and ensure a fair and balanced evaluation process?