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

ASSESSMENT OF PERFORMANCE MANAGEMENT SYSTEM IN COMMERCIAL BANK OF ETHIOPIA: A CASE OF CITY BRANCHES IN ADDIS ABABA AND HEAD OFFICE

BY
FIREHIWOT TESFAYE

JANUARY, 2017

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A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION IN PROJECT MANAGEMENT

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of <u>Worku Mekonnen (PhD)</u>. All sources of materials used for the thesis have been duly acknowledged. I further conform that the thesis has not been submitted either in part or full to any other higher learning institution for the purpose of earning any degree.

_____   _____

Advisor   Signature

St. Mary's University College, Addis Ababa   January, 2017

ENDORSEMENT

This thesis has been submitted to St. Mary's University, school of Graduate Studies for examination with my approval as a university advisor.

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Name   Signature

St. Mary's University College, Addis Ababa   January, 2017

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ACRONYMS & ABBREVIATIONS

CBE: Commercial bank of Ethiopia

HR: Human resource

PMS: Performance management system

EPM: Employees performance management

SMART: Specific, measurable, achievable, relevant and time framed.

ATM: Automatic teller machine

HSBC: Hong Kong and Shanghai banking corporation

SWIFT: Society for worldwide interbank financial telecommunication

BSC: Balanced scored card

KSA: Knowledge, skills, and attitudes

LCY: Local currency

FCY: Foreign currency

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ABSTRACT

Performance management is a continuous process of identifying, measuring and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization. There is no common understanding or implementation of the system by performers or supervisors at different branches (CBE, 2015). This project was designed to assess employees' performance management system of commercial bank of Ethiopia in city Branches and head office. To this end, the study has gone through an assessment of the practice of performance planning & agreement, provision of ongoing feedback, performance evaluation and performance review process. Primary data were collected through questionnaire and interview. 369 questioners were distributed to randomly selected employees and out of these 313 were properly filled and returned. The data were analyzed using descriptive method. Interview was held with the district human resource manager and some branch managers. The finding of the study revealed that some targets were unattainable, and data tracking system was manual and no usage of formats, lack of proper documentation of PMS files, inadequate feedback provision, inconvenient office layout to provide feedback privately for employees, absence of guideline to manage employee's movement from one job to another job during the rating period etc. Based on the findings, the researcher recommended the bank to allocate attainable targets, automate its data tracking system, allocate adequate manpower, develop clear guideline to manage the movement of employees to another job at the end of the rating period, etc.

Key word: Commercial bank of Ethiopia.

CHAPTER ONE

INTRODUCTION

1.1.   Background of the study

Performance Management is one of the aspects of human resource management. It is a process of advancing the performance of the organization to the higher expectation by developing the performance of individuals and teams in a systematic way. It is the process of cascading the goal of the organization down to teams and individuals with the aim of getting a better result (Armstrong, 2009).

PMS is an ongoing activity, managing and hopefully improving performance of employee. It consists of regular meetings where performance is discussed, objectives are set, and action plans formulated and development needs are identified. (Mc pheat, 2010).

Performance Management is one of the most important functions in human resource management. It provides the context to link individual objectives with departmental targets, thus supporting and facilitating the attainment of departmental goals. Performance management can be a very effective management tool when applied properly. It provides staff with clarity of aims and focuses on job expectation, motivates staff to perform better, cultivates the desired culture, helps to focus on the desired results, improves communication, helps to develop staff and helps to achieve departmental objectives. (Performance management guide, 2000).

Measuring and managing employee performance is important as it leads to employee satisfaction by linking benefits with performance accomplishment; it enables the organizations to achieve higher performances accordingly. It also leads to employee satisfaction improvement, rise in employee work motivation, creativity and development of the knowledge and competency levels, as a key competitive advantage (Coens & Jenkins, 2002). Therefore performance management systems have come to play an indispensable role in helping organizations to reach their goals of productivity (Stevers & Joyce, 2000).

Human resource management practices could influence the behaviors of individual employees. The impact of Human Resources (HR) practices on employees' commitment and performance depends on employees' perception and evaluation of these practices (Guest, 2009).

Commercial Bank of Ethiopia is the leading and Pioneer bank to introduce modern banking to the country which was established in 1942. Since its establishment it has made a lot of developments and currently it has more than 1140 branches stretched across the country. It is the leading African bank with an asset of 384.6 billion Birr as of June 30th 2016. CBE plays a significant role in the economic progress & development of the country. It is the first bank in Ethiopia to introduce ATM service for local users and currently it has more than 11 million account holders. CBE has strong correspondent relationship with more than 50 renowned foreign banks like: Royal Bank of Canada, City Bank, HSBC Bank, and it has a SWIFT bilateral arrangement with more than 700 others banks across the world. CBE combines a wide capital base with more than 28,000 talented and committed employees. CBE is the Pioneer to introduce Western Union Money Transfer Services in Ethiopia early 1990s and currently working with other 20 money transfer agents like Money Gram, Atlantic International (Bole), Xpress Money, Western Union Dahabshil and others. It has opened four branches in South Sudan and has been in the business since June 2009. CBE has reliable and long-standing relationships with many internationally acclaimed banks throughout the world. (CBE, 2014). CBE is striving to be outstanding bank and to achieve its mission and vision statements that is:

To become a world-class commercial bank by the year 2025 (The vision),

And its Mission is: ''Being committed to best realize stakeholders' needs through enhanced financial intermediation globally and supporting national development priorities, by deploying highly motivated, skilled and disciplined employees as well as state-of-the-art technology. We strongly believe that winning the public confidence is the basis of our success''. (CBE, 2014/15).

Commercial bank of Ethiopia (CBE), which is striving to become a world class bank, is rendering state-of-the- art and reliable services to its millions of customers. The bank is implementing different strategies to improve its organizational efficiency in order to deliver quality service. And, it is striving to outstand the market competition. Aiming to improve organizational performance, it has been adopting different business strategies. The strategies of the bank focus on the interest of public it serves. In order to improve its service delivery and meet its vision, it is therefore needed to enhance the human power capacity. As a result it has been integrating its strategic objectives with employees objectives by implementing performance management system which is intended to deliver

successful results in an organizations by improving the performance and developing the capabilities of teams and individual employees.

Moreover, performance management system is also a way of cascading corporate strategy dawn to teams and individuals to align individual objectives with the objectives of the organization. The cascaded strategy on the other hand, can be applied to the department's performance evaluation team by balanced scorecard. Since the Balanced Scorecard was invented in 1990s, it was received as a wide range of use and promotion in the global business community, and some of the major international banks have successfully used it, which makes increase their performance greatly (Armstrong, 2009).

Commercial bank of Ethiopia is learning from successful experience of international large banks, and establishing a comprehensive performance management system which helps the bank to improve service delivering process and achieving its strategic objectives (Annual report 2014/2015). As a result, the process of measuring and managing organizational and employee performance is currently seen as critical to the development and success of the bank.

In commercial bank of Ethiopia, performance management system is seen as management's systematic application of processes aimed at fully utilizing human resources and it carries somewhat connotation when considered from the employee's perspective. Thus to enhance impacts of performance management system, it is important to understand employees' perceived perception toward the performance management system since the process requires high involvement and commitment from employees. Therefore this study will be conducted with the aim of assessing performance management system in commercial bank of Ethiopia.

1.2. Statement of the Problem

Many corporations view their performance management systems as organizational wallpaper, meaning that they exist only in the background and are not expected to add value (Coens & Jenkins, 2002).

The reason for the presence of employee performance management system in an organization is to improve organizational result, deploy a culture that will attract and develop employees, create a good relationship between managers and employees, enhance meaningful work cooperation among employees, generate an opportunity for growth and development and to make clear on an understanding of work objectives. Effective

employee's performance management system has a well-articulated process for accomplishing evaluation activities, with defined roles and timelines for both managers and employees. Especially in organizations that use EPM as a basis for pay and other HR decisions, it is important to ensure that all employees are treated in a fair and equitable manner (Pulakos, 2004).

Creating motivated and proficient employees is one of the strategic goals of CBE by 2025. In the current competitive market environment among local organizations and the need for national and international competitiveness calls for improved performance of each individual and teams working together to achieve organizational goals. Without having a high performing employee and units it will be difficult for organizations to compete with national and international market. To ensure market competitiveness EPM system is highly desired to develop the capacity of the employees and inspired them to put maximum effort in the realization of organizational goals.

CBE institutionalized the balanced scorecard (BSC) performance management tool since 2010 to formulate and implement its strategy and track its performance. The BSC is formulated in line with the national scorecard adopted by the government of Ethiopia. To formulate its strategy, the starting point was the statement of its vision, mission and values towards which a strategy should be geared. The BSC framework translates strategy (strategic themes) by organizing the detailed directions of actions under each theme- the strategic objectives and their corresponding measures under four perspectives: financial, customer, internal-business-process and learning-growth.

In the year 2014 CBE has implemented EPM system in order to aligning the strategic objectives of the bank to that of individual level. However, as shown in the EPM system follow-up report of the bank (2015), the implementation has been encountered different types of challenges like: unbalanced goals and targets were assigned for employees assigned at different assignments while they are at the same job grades, non-alignment of EPM system with benefit packages. While executing the performance management system, failure in any of the phases of PMS will impact the outcome. For instance, in performance planning stage if an employee is given unattainable target, conducting ongoing feedback and performance evaluation is meaningless. To the contrary, if an employee is given achievable target but ongoing feedback & coaching have problem, the employees 'performance may not be as expected. The same is true for problems regarding performance data tracking to conduct performance evaluation.

According to the branch visit report of CBE, (2015), there is varied level of understanding and implementation of the PMS by performers. This report indicates gaps in execution of PMS in the company. The study is to be conducted to minimize the unavailability of empirical study on the study area of commercial bank of Ethiopia performance management system.

1.3. Research Questions

Considering the importance of performance management system in commercial bank of Ethiopia, the researcher become interested to assess of performance management system of the bank in order to answer the following basic questions:

1. Is the CBE's mission, strategic goals and tasks are clearly defined for employees?
2. Is the targets given for employees during performance planning and agreement phase have specific, measurable, achievable, relevant and time framed feature?
3. Is feedback provision being done ongoing, constructive, in private, timely and with direct manager?
4. How is data tracking system & performance evaluation practice?
5. Is there a performance review in which CBE's manager and employee review the performance assessments for providing feedback in each rating period?
6. Is professional & managerial employees' exhibit difference on target attainment, attitude towards feedback & clarity of job responsibility?

1.4. Objective of the Study

1.4.1. General Objective

The overall objective of this study is to assess EPM system in CBE.

1.4.2. Specific Objectives

The following are the specific objectives that this study addressed.

✓ To examine how CBE's mission, strategic goals and tasks defined for employees?
✓ To examine the targets given for employees are SMART or not.
✓ To examine the level and conditions of feedback provision on performance progress.
✓ To examine the data tracking system & performance evaluation practice.
✓ To assess whether performance review conduct in each rating period.

✓ To examine whether difference exists between professional & managerial employees on target attainment, attitude towards feedback & clarity of job responsibility

1.5. Significance of the Study

The study is used to assess employee performance management system in commercial bank of Ethiopia. Furthermore, the study enabled;

1. The commercial bank of Ethiopia to obtain the necessary information and take corrective measure to ensure the successful implementation of performance management system.
2. To minimize the study gap observed in the subject matter.
3. It might be an input for similar other organizations who are interested in designing and implementing a performance management system.
4. The study will help CBE managers to focus on factors determining the success of performance management system.

1.6. Scope and limitation of the Study

This research is conducted to assess only the execution of the PMS processes such as performance planning & agreement, feedback provision, performance evaluation & performance review. It didn't deal about other factors that might hinder implementation of PMS like reward system and others. Some of the most important limitations of this research were; some staffs are un-willing to fill the questioner properly, lack of time to utilize maximum effort due to other work pressure, the researcher also faced financial limitation to conduct comprehensive and detail study of performance management system in all branch of CBE.

1.7. Organization of the Study

The study is composed of five chapters. The first chapter deals with the introduction part includes the background of the study, statement of the problem, objectives of the study, significance of the study, limitation and scope of the study. Chapter two included related literature review where detail discussion about the topic has been undertaken. The third chapter is presented the research design and methodology. In the fourth chapter data presentation, analysis and interpretation is discussed. The last chapter covered the summary of major findings and conclusions drawn from the findings and also the possible recommendations is forwarded by the researcher.

CHAPTER TWO

REVIEW OF RELATED LITERATURES

2.1.   Introduction

Performance management system is an important human resource management process which used to manage performance of employees in an organization so as to enhance the productivity and/or profitability of the organization. This chapter discusses about definition, objective and process of performance management system in depth from different books, researches and internet sources.

2.2.   Theoretical Studies

2.2.1. Definition of Performance

Performance can be defined as an outcome or accomplishment achieved by a person or a team (Armstrong, 2009). It is the accomplishment or outputs/outcomes of a task undertaken but also states that performance is about doing the work effectively so as to achieve the desired goals. Performance can also be perceived as a non-job specific behavior such as cooperation, dedication, enthusiasm and persistence that develop the effectiveness of the organization to enhance the working culture and climate of the organization.

2.2.2. Performance Management

Performance management is a continuous process of identifying, measuring and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization. Its five elements are agreement, measurement, feedback, positive reinforcement and dialogue (Aguinis, 2005).

Performance management System is an ongoing process of communication between a supervisor and an employee that occurs throughout the year, in support of accomplishing the strategic objectives of the organization. The communication process includes clarifying expectations, setting objectives, identifying goals, providing feedback, and reviewing results. (Teshale, 2015).

PMS is a process for establishing an organization system of understanding about what is to be achieved at an organization level. It is about aligning the organizational objectives with

the employees' agreed measures, skills, competency requirements, development plans and the delivery of results. The emphasis is on improvement, learning and development in order to achieve the overall business strategy and to create a high performance workforce (Guide to Managing Human Resources, 2016).

Performance management is the process of identifying, measuring, managing, and developing the performance of the human resources in an organization. When used correctly, performance management is a systematic analysis and measurement of worker performance (including communication of that assessment to the individual) that we use to improve performance over time.

Performance management system and performance appraisal are interlinked with each other. However, performance management system is the broader one which identifies measure, manage and develop performance of the human resource in an organization whereas performance appraisal is the sub set of performance management system in which we use it for evaluating the competence of employees. (Robert and John, 2013).

Many factors will impact the effectiveness of an organization's performance management system, but three are most important. First, the system needs to be aligned with and support the organization's direction and critical success factors. Second, well-developed, efficiently administered tools and processes are needed to make the system user friendly and well received by organizational members. Third, and most important, is that both managers and employees must use the system in a manner that brings visible, value-added benefits in the areas of performance planning, performance development, feedback and achieving results (Pulakos, 2004).

The bank (commercial bank of Ethiopia) defined performance management system as:

A strategic management tool that enhances successful performance by aligning individual efforts towards the organization business objectives. It is a means by which a supervisor and an employee can reach a mutual understanding of expectations, and a process through which an assessment can be made as to whether the expectations have been met, exceeded, or remain unmet. (CBE, 2009).

2.2.3. Objectives of Performance Management

The overall objective of performance management is to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves

and the organization. Performance management provides the basis for self-development but importantly, it is also about ensuring that the support and guidance people need to develop and improve is readily available (Armstrong, 2009).

According to (Armstrong, 2006) the overall aim of performance management is to establish a high performance culture in which individuals and teams take responsibility for the continuous improvement of business processes and for their own skills and contributions within a framework provided by effective leadership. Specifically, performance management is about aligning individual objectives to organizational objectives and ensuring that individuals uphold corporate core values. It provides for expectations to be defined and agreed in terms of role responsibilities and accountabilities (expected to do), skills (expected to have) and behaviors (expected to be).

2.2.4. Underpinning Theories

The following three theories underpinning performance management have been identified by (Buchner, 2007).

2.2.4.1. Goal Theory

Goal theory, as developed by (Latham and Locke, 1979) highlights four mechanisms that connect goals to performance outcomes: 1) they direct attention to priorities; 2) they stimulate effort; 3) they challenge people to bring their knowledge and skills to bear to increase their chances of success; and 4) the more challenging the goal, the more people will draw on their full repertoire of skills. This theory underpins the emphasis in performance management on setting and agreeing objectives against which performance can be measured and managed (Armstrong, 2009).

2.2.4.2. Control Theory

Control theory focuses attention on feedback as a means of shaping behavior. As people receive feedback on their behavior they appreciate the discrepancy between what they are doing and what they are expected to do and take corrective action to overcome the discrepancy. Feedback is recognized as a crucial part of performance management processes (Armstrong, 2009).

2.2.4.3. Social Cognitive Theory

Social cognitive theory was developed by (Bandura, 1986). It is based on his central concept of self-efficacy. This suggests that what people believe they can or cannot do

powerfully impacts on their performance. Developing and strengthening positive self-belief in employees is therefore an important performance management objective (Armstrong, 2009).

2.2.5. Performance Management Process

As noted earlier, performance management is a continuous process. However, when a system is first implemented, the process follows the following six stages (Aguinis, 2009).

1. Pre – requisites 2.Performance planning 3.Performance execution 4.Performance assessment, 5.performance review and 6. Performance renewal and re contracting.

Stage 1: Prerequisites

There are two important prerequisites that are needed before a performance management system is implemented: (1) knowledge of the organization's mission and strategic goals and (2) knowledge of the job in question. If there is a lack of clarity regarding where the organization wants to go, or the relationship between the organization ' s mission and strategies and each of its unit ' s mission and strategies is not clear, there will be a lack of clarity regarding what each employee needs to do and achieve to help the organization get there. An organization ' s mission and strategic goals are a result of strategic planning, which allows an organization to clearly define its purpose or reason for existing, where it wants to be in the future, the goals it wants to achieve, and the strategies it will use to attain these goals. Once the goals for the entire organization have been established, similar goals cascade downward, with departments setting objectives to support the organization's overall mission and objectives. The second important prerequisite before a performance management system is implemented is to understand the job in question. This is done through job analysis. Job analysis is a process of determining the key components of a particular job, including activities, tasks, products, services, and processes. There are numerous types of job analytic tools, including some that focus on specific personality traits needed for various positions (Aguinis, et al, 2009). A job analysis is a fundamental prerequisite of any performance management system. Without a job analysis, it is difficult to understand what constitutes the required duties for a particular job. If we don't know what an employee is supposed to do on the job, we won't know what needs to be evaluated and how to do so.

Stage 2: Performance Planning

The performance planning stage has the goal for employees to have a thorough knowledge of the performance management system. In fact, at the beginning of each performance cycle, the supervisor and the employee meet to discuss, and agree on, what needs to be done and how it should be done. This performance planning discussion includes a consideration of results, behaviors, and development plan.

Results: Results refer to what needs to be done or the outcomes an employee must produce. A consideration of results needs to include the key accountabilities, or broad areas of a job for which the employee is responsible for producing results. A discussion of results also includes specific objectives that the employee will achieve as part of each accountability.

Objectives are statements of important and measurable outcomes. Finally, discussing results also means discussing performance standards. A performance standard is a yardstick used to evaluate how well employees have achieved each objective. Performance standards provide information about acceptable and unacceptable performance. Like quality, quantity, cost, and time thus the objective is the desired level of performance, whereas the standard is usually a minimum acceptable level of performance.

Types of Objectives

• **Ongoing role or work objectives** – all roles have built-in objectives that may be expressed as key result areas in a role profile.

- **Targets** – these define the quantifiable results to be attained as measured in such terms as output, throughput, income, sales, levels of service delivery and cost reduction.
- **Tasks/projects** – objectives can be set for the completion of tasks or projects by a specified date or to achieve an interim result.

Criteria for objectives

Many organizations use the following SMART (specific, measurable, achievable, and relevant and time framed) mnemonic to summarize the criteria for objectives:

S = **Specific/stretching** – clear, unambiguous, straightforward and understandable.

M = **Measurable** – quantity, quality, time, money.

A = **Achievable** – challenging but within the reach of a competent and committed person.

R = Relevant – relevant to the objectives of the organization so that the goal of the individual is   Aligned to corporate goals.

T = Time framed – to be completed within an agreed timescale.

Behaviors: Although it is important to measure results, an exclusive emphasis on results can give an incomplete picture of employee performance. A consideration of behaviors includes discussing competencies, which are measurable clusters of knowledge, skills, and attitudes (KSAs) that are critical in determining how results will be achieved (Shippmann, 2000). Examples of competencies are customer service, written or oral communication, creative thinking, and dependability.

Development plan: An important step before the review cycle begins is for the supervisor and employee to agree on a development plan. At a minimum, this plan should include identifying areas that need improvement and setting goals to be achieved in each area. Development plans usually include both results and behaviors. Achieving the goals stated in the development plan allows employees to keep abreast of changes in their field or profession. Information to be used in designing development plans comes from the appraisal form. Specifically, a development plan can be designed based on each of the performance dimensions evaluated. In addition, however, development plans focus on the knowledge and skills needed for more long - term career aspirations. In addition to improved performance, the inclusion of development plans and, in more general terms, the identification of employee strengths and weaknesses as part of the performance management system have another important benefit employees are more likely to be satisfied with the system (Boswell &Boudreau, 2000). The direct supervisor or line manager has an important role in the creation and completion of the employee's development plan. This active role will help the supervisor understand the process from the employee's perspective, anticipate potential roadblocks and defensive attitudes, and create a plan in a collaborative fashion (Dunning, 2004). First, the supervisor needs to explain what would be required for the employee to achieve the desired performance level, including the steps that an employee must take to improve performance. This information needs to be provided together with information on the probability of success if the employee completes the suggested steps. Second, the supervisor has a primary role in

referring the employee to appropriate development activities that can assist the employee in achieving her goals. This includes helping the employee select a mentor, appropriate reading resources, courses, and so forth. Third, the supervisor reviews and makes suggestions about the development objectives. Specifically, the supervisor helps assure the goals are achievable, specific c, and doable. Fourth, the supervisor has primary responsibility for checking on the employee's progress toward achieving the development goals.

Stage 3: Performance Execution

Once the review cycle begins, the employee strives to produce the results and display the behaviors agreed on earlier as well as to work on development needs. The employee has primary responsibility and ownership of this process. Employee participation does not begin at the performance execution stage, however. As noted earlier, employees need to have active input in the development of the job descriptions, performance standards, and the creation of the rating form. In addition, at later stages, employees are active participants in the evaluation process in that they provide a self - assessment and the performance review interview is a two - way communication process. Although the employee has primary responsibilities for performance execution, the supervisor also needs to do his or her share of the work. Supervisors have primary responsibility over the following issues:

Observation and documentation: Supervisors must observe and document performance on a daily basis. It is important to keep track of examples of both good and poor performance.

Updates: As the organization's goals may change, it is important to update and revise initial objectives, standards, and key accountabilities (in the case of results) and competency areas (in the case of behaviors).

Feedback: Feedback on progression toward goals and coaching to improve performance should be provided on a regular basis, and certainly before the review cycle is over.

Resources: Supervisors should provide employees with resources and opportunities to participate in development activities. Thus, they should encourage (and sponsor) participation in training, classes, and special assignments. Overall, supervisors have a responsibility to ensure that the employee has the necessary supplies and funding to perform the job properly.

Reinforcement: Supervisors must let employees know that their outstanding performance is noticed by reinforcing effective behaviors and progress toward goals. Also, supervisors should provide feedback regarding negative performance and how to remedy the observed problem. Observation and communication are not sufficient. Performance problems must be diagnosed early and appropriate steps must be taken as soon as the problem is discovered.

Stage 4: Performance Assessment

In the assessment phase, both the employee and the manager are responsible for evaluating the extent to which the desired behaviors have been displayed, and whether the desired results have been achieved. Although many sources can be used to collect performance information (for example, peers or subordinates), in most cases the direct supervisor provides the information. This also includes an evaluation of the extent to which the goals stated in the development plan have been achieved. It is important that both the employee and the manager take ownership of the assessment process. The manager fills out his or her appraisal form, and the employee should also fill out his or her form. The fact that both parties are involved in the assessment process provides better information to be used during the review phase (Smither and London, 2009).

When both the employee and the supervisor are active participants in the evaluation process, there is a greater likelihood that the information will be used productively in the future. Specifically, the inclusion of self - ratings helps emphasize possible discrepancies between self-views and the views that important others (that is, supervisors) have. It is the discrepancy between these two views that is most likely to trigger development efforts, particularly when feedback from the supervisor is more negative than are employee self - evaluations (Smither, et al, 2009). The benefit of self-appraisal is to reduce an employee's defensiveness during the assessment meeting and also in increase employee's satisfaction and trust in the performance management system. The time for the formal performance appraisal nears, the manager reflects on how well the subordinate has performed over the course of the year, assembles the various forms and paperwork that the organization provides to make this assessment, and fills them out. The manager may also recommend a change in the individual's compensation based on the quality of the individual's work (Grote, 2002). Habitually, people think that performance appraisal is an event required by the personnel department in which the manager fills out the form and then uses it to give feedback which is totally wrong. Rather performance assessment is one of the most

important processes in performance management system in which supervisors are assessing their subordinates regarding their performance in the past which lays a ground for keeping the strength and improving on the weaknesses and working on the development plan for the future. Managers often complain that evaluating someone's performance is difficult. The reason that they find it difficult is usually that they have not done a good job of performance planning at the beginning of the year. If a manager has not held a planning discussion at that time, it's difficult to evaluate performance at the end of the year.

Methods of Assessment

According to (Armstrong, 2006) there are seven ways of assessing performance:

1. Overall analysis of performance

An overall analysis is a form of assessment, as it will reveal strengths and, possibly, weaknesses, which indicate where development can usefully take place.

2. Narrative Assessment

A narrative assessment is simply a written summary of views about the level of performance achieved. This at least ensures that managers have to collect their thoughts together and put them down on paper.

3. Rating

A rating scale is supposed to assist in making judgments and it enables those judgments to be categorized to inform performance or contribution pay decisions or simply to produce an instant summary for the record of how well or not so well someone is doing. Rating scales can be defined alphabetically (a,b,c etc) or numerically (1,2,3 etc). Initials (ex for excellent etc) are sometimes used in an attempt to disguise the hierarchical nature of the scale. The alphabetical or numerical scale points may be described adjectivally, for example a = excellent, b = good, c = satisfactory and d = unsatisfactory.

Alternatively, scale levels may be described verbally as in the following example:

Exceptional performance: exceeds expectations and consistently makes an outstanding contribution that significantly extends the impact and influence of the role.

Well-balanced performance: meets objectives and requirements of the role; consistently performs in a thoroughly proficient manner.

Barely effective performance: does not meet all objectives or role requirements of the role; significant performance improvements are needed.

Unacceptable performance: fails to meet most objectives or requirements of the role; shows a lack of commitment to performance improvement, or a lack of ability, which has been discussed prior to the performance review. The number of rating levels can be three, four, five or even six levels.

4. Forced distribution

Forced distribution means that managers have to conform to a laid-down distribution of ratings between different levels.

5. Forced ranking

Forced ranking is a development of forced distribution. Rankings can be generated directly from the assignment of employees to categories (e.g. A, B and C) or indirectly through the transformation of

Quota systems lay performance ratings into groups of employees.

6. Quota systems

Down what the distribution of ratings should be and adjust the ratings of managers after the event to ensure that the quota in each level is met.

7. Visual methods of assessment

An alternative approach to rating is to use a visual method of assessment. This takes the form of an agreement between the manager and the individual on where the latter should be placed on a matrix or grid; in the performance assessment stage supervisors have the following major responsibility which helps them to evaluate their subordinate effectively and fairly (Armstrong, 2006).

1. **Review the original list of competencies, goals, objectives, and key position responsibilities:** -since performance assessment is made based on the goals,

objective and competencies listed in the performance planning stage, supervisors should review them so as to cascade the assessment from them.

2. **Prepare a preliminary assessment of the employee's performance over the entire year:** - it helps to have a clear picture on the performance of the employee while accomplishing their planned objective as well as achieving organizational goal.

3. **Review the individual's list of accomplishments and the self-appraisal:** - assessing the accomplishment made by the employee and referring to self-appraisal will help supervisors to remind every accomplishments and failure so as to make an accurate evaluation accordingly.

4. **Prepare final assessment of the employee's performance:** - after reviewing the data gathered through self-appraisal, peer appraisal and self-evaluation made by supervisors, the final assessment should be prepared with fair judgment.

5. **Write the official performance appraisal using the appraisal form**

6. **Review the appraisal with the manager and obtain concurrence:** - the assessment filled on the appraisal form should be reviewed by the higher supervisors in order to cross check the fairness of the evaluation.

7. **Determine any revisions needed to the employee's key position responsibilities, goals, objectives, competencies, and development plans for the next appraisal period:** - based on the past performance point out the areas which needs revision on the responsibilities, objectives, goals, competencies and development plans. This is highly appreciated when performance gap is identified.

8. **Prepare for the performance review meeting:** - employees and supervisors should have a meeting to talk about the assessment as well as performance review for the next period.

Likewise supervisors' individuals have also the above stated responsibilities in the performance assessment phase of the process.

Rating errors which is encountered during performance evaluation process rating errors are faults or factors that influence supervisors to have a wrong judgment in evaluating employees' result and behavior and making a wrong decision on the quality of someone's job performance. According to Armstrong there are different types of errors while rating employee's performance. Among them; attractiveness effect, attribution bias, central

tendency, first impression error, halo/horns effect, high potential error, negative and positive skew, past performance error, similar-to-me effect and stereotyping.

Stage 5: Performance Review

The performance review stage involves the meeting between the employee and the manager to review their assessments. This meeting is usually called the appraisal meeting or discussion. The appraisal meeting is important because it provides a formal setting in which the employee receives feedback on his or her performance. In spite of its importance in performance management, the appraisal meeting is often regarded as the most difficult of the entire process because many managers are uncomfortable providing performance feedback, particularly when performance is deficient. This high level of discomfort, which often translates into anxiety and the avoidance of the appraisal interview, can be mitigated through training those responsible for providing feedback (Smither and London, 2009).

Providing feedback in an effective manner is extremely important because it leads not only to performance improvement but also to employee satisfaction with the system. At this point, however, let's emphasize that people are apprehensive about both receiving and giving performance information, and this apprehension reinforces the importance of a formal performance review as part of any performance management system. The performance review meeting is the basis for assessing the three key elements of performance (the three Cs), namely contribution, capability and continuous development. Such meetings are also the means through which the five primary performance management elements measurement, feedback, positive reinforcement, exchange of views, and agreement can be put to good use. A performance review should be rooted in the reality of the employee's performance. The latter is concrete, not abstract, and it allows managers and individuals to take a positive look together at how performance can become even better in the future and how any problems in meeting performance standards and achieving objectives can be resolved. Individuals should be encouraged to assess their own performance and become active agents for change in improving their results. Managers should be encouraged to adopt their proper enabling role (Armstrong, 2000).

There should be no surprises in a formal review if performance issues have been dealt with as they should have been, namely as they arise during the year. In one sense the review is a stocktaking exercise, but this is no more than an analysis of where those involved are now, and where they have come from. This static and historical process is not what performance

management is about. The true role of performance management is to look forward to what needs to be done by people to achieve the overall purpose of the job, to meet new challenges, to make even better use of their knowledge, skills and abilities, and to help them to develop their capabilities and improve their performance. This process also helps managers to improve their ability to lead, guide and develop both individuals and teams for whom they are responsible (Armstrong, 2000).

Objectives of performance review

Among different objective of performance review the followings are some of them which can be mentioned as the most important one (Smither and London, 2009).

1. It gives motivation to provide positive feedback, recognition, praise and opportunities for growth; to clarify expectations; to empower people by encouraging them to take control over their own performance and development.

2. It encourages development by providing a basis for developing and broadening capabilities relevant both to the current role and any future role that the employee may have the potential to carry out. Note that development can be focused on the current role, enabling people to enlarge and enrich the range of their responsibilities and the skills they require, and to be rewarded accordingly. This aspect of role development is even more important in flatter organizations, where career ladders have shortened and where lateral progression is likely to be the best route forward.

3. It gives a chance for communication to serve as a two-way channel for talking about roles, expectations (objectives and capability requirements), relationships, work, problems and aspirations.

Stage 6: Performance Renewal and Re contracting

The final stage in the performance process is renewal and re contracting. Essentially, this is identical to the performance planning component. The main difference is that the renewal and re contracting stage uses the insights and information gained from the other phases. For example, some of the goals may have been set unrealistically high given an unexpected economic downturn. This would lead to setting less ambitious goals for the upcoming review period. The performance management process includes a cycle that starts with prerequisites and ends with performance renewal and re contracting. The cycle is not over after the renewal and re contracting 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 - wide goals. Obviously, if managers and employees are not aware of these strategic goals, it is unlikely that the performance management system will be instrumental in accomplishing the strategic goals.

2.2.6. Principles of Performance Management System

Performance management is primarily concerned with performance improvement in order to achieve organizational, team and individual effectiveness. Secondly, performance management is concerned with employee development. Performance improvement is not achievable unless there are effective processes of continuous development. This addresses the core capabilities of the organization and the specific capabilities of individuals and teams. Performance management should really be called performance and development management. Thirdly, performance management is concerned with satisfying the needs and expectations of all of an organization's stakeholder owners, management, employees, customers, suppliers and the general public. In particular, employees are treated as partners in the enterprise whose interests are respected, who have a voice on matters that concern them, and whose opinions are sought and listened to (Armstrong, 2006). Performance management should respect the needs of individuals and teams as well as those of the organization, recognizing that they will not always coincide. Finally, performance management is concerned with communication and involvement. It creates a climate in which a continuing dialogue between managers and the members of their teams takes place in order to define expectations and share information on the organization's mission, values and objectives. This establishes mutual understanding of what is to be achieved and a framework for managing and developing people to ensure that it will be achieved. Performance management can contribute to the development of a high-involvement organization by getting teams and individuals to participate in defining their objectives and the means to achieve them. Just like any other profession performance management have principles which governs the entire system. The following are some of them identified by (Armstrong, 2000).

1. It translates corporate goals into individual, team, department and divisional goals;
2. It helps to clarify corporate goals;
3. It is a continuous and evolutionary process, in which performance improves over time;
4. It relies on consensus and co-operation rather than control or coercion;
5. It creates a shared understanding of what is required to improve performance and how this will be achieved;
6. It encourages self-management of individual performance;
7. It requires a management style that is open and honest and encourages two-way communication between superiors and subordinates;
8. It requires continuous feedback; Feedback loops enable the experiences and knowledge gained on the job by individuals to modify corporate objectives;
9. It measures and assesses all performance against jointly agreed goals;
10. It should apply to all staff; and it is not primarily concerned with linking performance to financial reward.
11. It is owned and driven by line management and not by the HR department; performance management is not a packaged solution but something that has to be developed specifically and individually for each particular organization.

2.2.7. The Cycle of Performance Management System

Overseeing performance and providing feedback is not an isolated event, focused in an annual performance review. It is an ongoing process that takes place throughout the year. The Performance Management process is a cycle, with discussions varying year-to-year based on changing objectives.
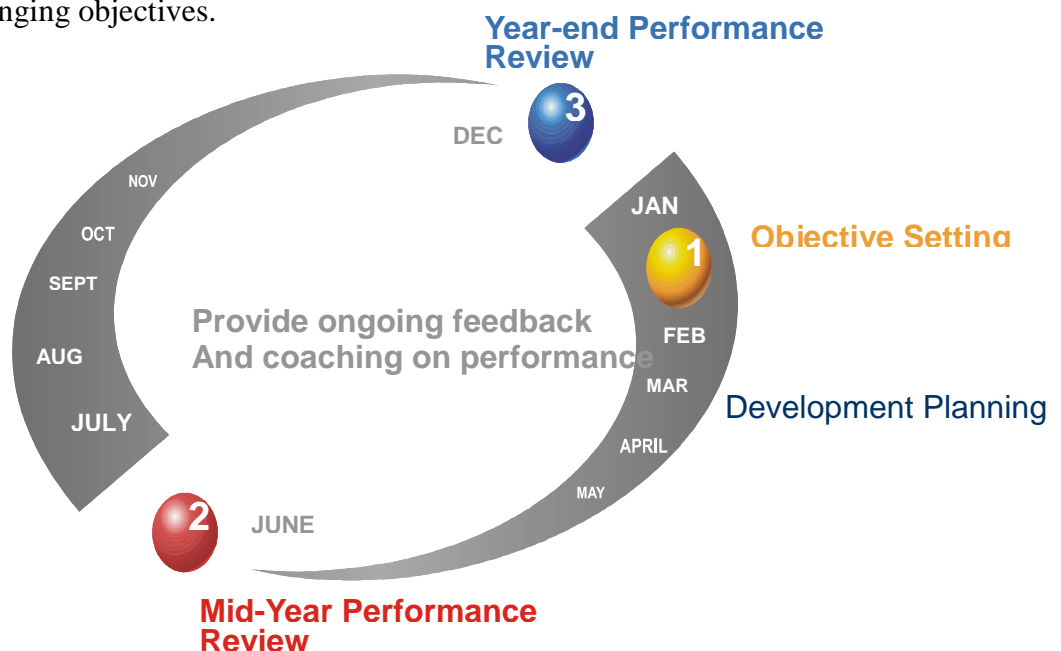
Fig 2.1 Performance management system cycle (Guest, 2009)

The cycle includes Planning, Checking-In, and Review.

- To begin the planning process, you and your employee review overall expectations, which include collaborating on the development of performance objectives. Individual development goals are also updated. You then develop a performance plan that directs the employee's efforts toward achieving specific results to support organizational excellence and employee success.
- Goals and objectives are discussed throughout the year, during check-in meetings. This provides a framework to ensure employees achieve results through coaching and mutual feedback.
- At the end of the performance period, you review the employee's performance against expected objectives, as well as the means used and behaviors demonstrated in achieving those objectives. Together, you establish new objectives for the next performance period.

2.2.8. Style of Performance Management System

In the views of Joseph R. Grima (2000), performance management should be:

Participative: Performance management is a two way process and must encourage the participation of both supervisor and employee. This participation should be there for establishing objectives at the very start of the assessment period and at the end, evaluating results.

Task-oriented: Performance should be measured on the basis of business objectives and the outcomes, personal traits and pre-defined areas and targets.

Developmental: The process should be implemented not only to evaluate and rate employees but also to help the employees to advance their future career paths by way of personal growth and development. It should also identify the areas where employee needs further training (Grima, 2000).

It is essential for performance management system to be participative, task-oriented as well as developmental. If the performance management system of an organization doesn't provides the employees' opportunities to learn and develop when deficiencies from the results are identified, than such system is of no use. The main focus of performance management is to identify and to address vital people issues that exist in an organization. It leads towards building relationship with the people employed by the organization. It creates an environment or work setting that enables the employed people to best perform the abilities that they possess (Heathfield, 2012).

2.2.9. Factor affecting Performance Management System

For performance management system to be implemented, there are a number of conditions that must exist prior to its execution. These factors include:

Ability of manager to mobilize the organization

Effectively communicating the roles, duties and responsibilities of all such individuals who are the participants in the process of bringing about change

For effective implementation of performance management, it is important to consider three appropriate factors that exist in the larger organizational perspective and affects performance organization wide. These factors include:

Business Strategy: It includes internal and external environment within which the company operates. It also includes all those policies, procedures, plans, objectives, environment that enables an organization to compete in the most successful manner and the focus that organization has on effective performance of its employees.

Workplace Technology: Workplace technology has a huge impact on performance of individuals and groups. It depends upon whether the technology is high or low in interdependence. In case technology is highly interdependent, work structures are preferably designed for work groups rather than individuals and performance management in such a case is aimed at work group behavior (Thomas and Cummings, 2005).

Employee Involvement: Level of involvement depends upon the control that exists in an organization varying from bureaucratic to flexible. Organizations rigid controls discourage participation and the setting of goals, appraisal of performance are formalized and inflexibly administered by management. On the other hand, when organizations are supportive and flexible, participation from employees is encouraged, sense of ownership increases and performance management becomes a two way process for employees as well as for the employer (Thomas and Cummings, 2005).

2.2.10. PROS and CONS of Performance Management System

According to Buchner (2007), the following is some of the advantages of implementing a Performance Management process within a company:

1. Increased Performance of individuals and department/organization

The main goal of performance management is to improve the performance of individuals to eventually improve the performance of the organization as a whole. The correct application of performance management will identify development areas of each individual as well as good performance areas. By planning specific outputs linked to specific standards and measuring the success of the individual against this on a continuous basis will have a direct impact on the performance of the individual and indirectly the organization as a whole. Utilizing the results of the performance management discussions to identify focused development programs for employees will further assist in attaining the department/organization goals. Existing and future problems can be identified and

addressed and eliminated before becoming major obstacles in realizing organizational goals and strategies.

2. Better Communication

Performance Management focuses on the improvement of communication between the manager and his subordinates. The feedback and planning interview create opportunity for the creation and development of communication channels as well alignment between the manager and his subordinate.

It creates an opportunity for the manager to communicate organizational / departmental goals, policies, strategies and information to the subordinate and to ensure that the output of the subordinate is in line with policies and strategies. It also creates an opportunity for the manager to give recognition for good performance.

It creates an opportunity for subordinates to express their views and opinions as well as suggestions for improvement of performance and identification of obstacles. The subordinate gets the opportunity to discuss personal and company goals ant together with the manager fins a balance between them.

3. Performance Standards and indicators

Performance Management focuses on specific valuable outputs that the individual must deliver which is linked to specific goals and standards that must be achieved during the evaluation period. By clearly defining the outputs, performance standards and performance indicators the subordinate can understand exactly what is expected from him. The impact of the subordinate's outputs on the department and organization can be explained much easier during the planning phase.

4. Succession and Career planning

The Performance Management process provides valuable information that can be used during succession and career planning. Employee aspirations can be clarified and where possible incorporated into overall planning of the employee's goals and outputs as well as his development plan. Clarification of the manager's goals and direction regarding the employee and his role within the department, Compilation of formal training and development plans per employee to ensure the development of the employee based on the results of the performance evaluation phase of the process.

5. Training and development

The Performance Management process, when applied correctly, will supply valuable information regarding developmental areas of a subordinate. The information is used during the compilation of the subordinate's development and training plan after evaluating the individual's performance. This will also provide a "check point" to determine whether the past training had any positive effect on the employee's performance.

6. Remuneration

Performance Management simplifies the linkage of salaries, bonus and allowances because it is comparable and explainable.

7. Recruitment and selection

The latest requirements and specifications of a specific job and the readiness for promotion of the subordinate are supplied by the Performance Management system. It is a tool that can be used for the selection of the most appropriate candidate for a specific job.

These are just a few examples of the advantage that performance management has for the individual and the company and the manager.

As stated in Pulakos (2004), the following is some of the disadvantages or problems of implementing a Performance Management process within a company:

1. Decreased Performance of individuals and department/organization

It is possible that by implementing performance management within the company could have a negative impact on the immediate performance of individuals and indirectly the organization. This could be because of the following reasons:

- Lack of training of the individuals and managers
- Lack of a formal change management process
- Lack of addressing the change in the culture of the organization
- Subjectivity level to high during evaluations
- Performance reviews used as a stick to get back at employees
- Lack of addressing the fears of employees and clarification of the whole process and advantages to the employees
- Lack of conformity regarding Performance Management in the various departments
- Lack of management commitment

2. Degrading of Communication

Performance Management is a two-way communication process and should managers neglect this and turn the performance review into a one-way disciplinary interview it will have a negative impact on the employee. Should the employee feel that this interview is just to be reminded of things that went wrong; it will have a negative impact on the employee's performance. There need to be a balance between providing negative as well as positive feedback. Negative feedback should be given in such a way that the focus is on improving the employee's performance the next time the task has to be performed and not on another parent-to-child session telling the employee he hasn't done his job. The focus should either be on giving guidance as to how to prevent this issue occurring again or even clarify the requirements should it appear that this was not understood by the employee.

3. Lack of Management commitment

Even though you may spend lots of time and effort in designing and implementing a performance management process for your organization it may have a negative impact on performance due to the level of management commitment. The most important factor to successfully implement this process is the commitment and support of Top Management as well as Line Management. Employees must "feel" that management is committed to the

process and it is to their own benefit to improve their performance, as there are some rewards in the pipeline should they improve their performance.

4. Subjectivity

Subjectivity during the performance management process with specific reference to the manager, is one the most fatal elements that can negatively impact on an employee's performance. I have noticed many times how subjective evaluations of managers can negatively impact on the employee's performance. Therefore it is extremely important to eliminate subjectivity of performance evaluation by utilizing specific measurable performance indicators i.e. financial statistics to prove whether the employee has done his job or not. Usually the "gut feel" evaluations are very subjective and can be influenced by the current emotional state of the manager. To further eliminate subjectivity of performance evaluations is to implement a 360 Performance management process. Various people provide their inputs regarding the performance of the employee to provide a more objective and fair reflection thereof.

5. Lack of Rewards

Should there be a total lack of rewarding the employee for his performance (either negatively or positively), the performance management process will not be very effective in improving employee performance. There is always a "what's-in-it-for-me" element that you will have to address. Employee must see the benefits of the process. Whether financially or by "soft" rewards like being nominated as Employee of the Month).

6. Negative Attitudes

Negative attitudes of managers:

1. Conflicting goals with regard to performance evaluation.
2. Lack of knowledge regarding the setting of objective performance standards.
3. Incompetence to distinguish between responsibilities that the subordinate has control over and responsibilities the subordinate does not have control over.
4. Fear of communicating performance evaluation results to the subordinate.
5. It de-motivates employees.
6. Performance evaluation is used for reprimanding poor performance.

Negative attitudes of subordinates:

1. Lack of understanding why performance is evaluated.
2. Lack of objectivity and fairness.
3. Subjective measuring used for performance evaluation.
4. Personality evaluation and not evaluation of outputs.
5. Manager's attitude that the subordinate is in full control of his performance.
6. Nothing is done after the performance evaluation.
7. Performance evaluation is just a tool to discipline the subordinate and has no advantages for the subordinate.

These are just a few examples of the disadvantages / problems that performance management has for the individual, the manager and the company. However there may still be more items to add to the list, it is important that when you implement Performance Management that these disadvantages / problems and attitudes are identified and specific features or actions are built into the process to counter the effects of these disadvantages / problems / attitudes.

2.2.11. Challenges of Performance Management System

The performance management challenge in organizations has many dimensions in today's business environment and creating focused initiatives to overcome these challenges is not a silver bullet approach. In many cases remuneration schemes are driving the performance system, which creates a number on long term consequences in organizational behavior and culture. In other cases senior management are so focused on scorecard management to hold people accountable that the creation of the scorecard is not aligned with business focus areas, but rather a number of deliverable projects and tasks (Pulakos, 2004).

As adapted from Dr Marko Saravanja (2010) the following is challenges of PMS.

1. Lack of Alignment The first challenge is the lack of alignment due to various organizational processes being created in isolation. The link between Strategy development, budgeting and operational planning is developed by different groups of people with different frameworks being used. The performance management system lacks alignment between individual performance, departmental performance and organizational delivery and so all systems default back to financial measurements.

2. Lack of Measurements the second challenge happens at various levels of the organization in that poor measures are developed, in many cases targets are set but no relevant measure is put in place. In other cases no data can be collected or is kept as evidence to track performance.

3. Leadership and Management commitment the leadership and management challenge has a huge impact on integrating and aligning a management system to deliver a comprehensive performance management system. The commitment and understanding of leadership and management of the requirements for achieving a workable performance system is critical to performance success.

4. Managing of the performance system managing a performance system in an organization requires a disciplined framework; it requires the organization to work off one master plan broken down into relevant parts and areas of responsibility. The management responsibility at various levels needs to understand the contracting, measurement development and appraisal process very well and apply it consistently. Secondly management needs to appreciate that performance management is not an event but something that is managed daily but recorded and reported at certain times through reviews and appraisals. Managing poor performance the management of poor performance is normally a reactive action, but in many cases it is delayed and therefore turns into a discussion that is difficult to make relevant. Another reason poor performance is not managed on time is the lack of valid measurements and the collection of required evidence and measurement data.

2.3 Empirical Literature Review

In this section empirical evidence supporting the performance management system has been presented. However, only few studies are undertaken, of which most of them are not on the banking industry.

According to Munzhedzi (2011), performance management system in the organization has a valuable impact if the system is well established and common understanding is created between employees and managers and if objective of the organization cascaded accordingly. He has tried to find out that, performance management has a great role on organizational productivity even if it was on government offices other than banks. According to Matlala (2011) employees at the organization have a negative perception of the fairness of their organization's performance management system. How ever since this study has made on in South Africa the context might differ and the researcher has to be

investigate the study. According to (Boipono, Tsomele & Mogadime, 2014) a study made on implementation of performance management system (PMS) in Schools states that, though PMS is faced with implementation challenges, participants interviewed appreciated the need for a system like PMS that could be used to measure their performance. However, the feeling is that the system should be redesigned to suit the context of environment and not the current one size fit all approach. Effective communication and timely feedback are also important success factors for a performance management system like PMS as they are formative and help employees to continuously improve their processes towards achieved their set objectives. According to (Mughal and Akram, 2014), their study has explored the issues (weaknesses) related with performance management in banking sector. This research shows that the performance management of Alfalah bank lacks motivation and proper reward system. Performance management system is properly implemented in Alfalah but employees should be involved in setting standards of performance management to evaluate the performance of each employee.

2.3. Conceptual Framework
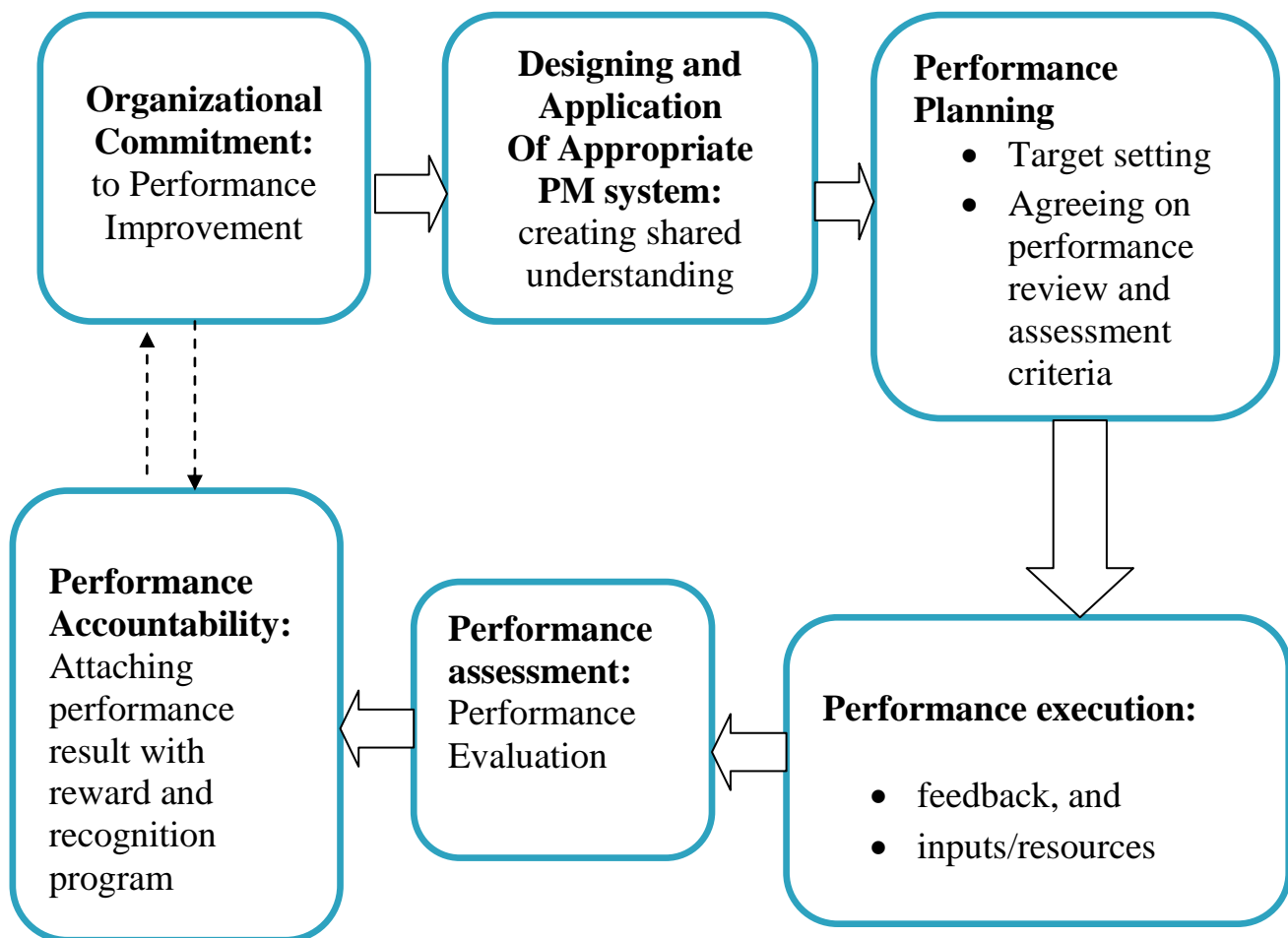
Fig 2.2 conceptual framework : *Source: Kebede (2015).*

From the conceptual frame work we can understand that, the first thing that we have for implementing EPM'S in the organization is organizational commitment to improve performance. Then after, the appropriate PMS application will developed. And, then performance planning will take place to reach an agreement regarding review and assessment criteria. Provision of continuous support through couching, mentoring and providing resources to execute their jobs will follow. Then periodic performance review and performance evaluation will be executed. Finally, performance accountability where best performers will be rewarded and underperformers will receive actions will be done. Efficiently doing all these processes has its own contribution for performance improvement.

Conclusion

Performance management system is a current issue for all types of organization. Both the theoretical and empirical review has been reviewed. The empirical studies that have been reviewed in the preceding section focused most prior studies on performance management system regarding, effects the system on achievements of organizational as well as individual goal, the role of PMS in increasing organizational result and implementation challenges. Based on the literature reviewed above in this chapter the researcher has got a clear insight about the concept and overview of employee performance management system. The researcher has reviewed a number of performance management literature and almost all the literatures agree that performance management is concerned with identification of organizational visions, missions and objectives, bringing managers and employees on the same direction towards the achievement of organizational strategic objectives/alignment, creating shared understanding, provision of coaching and periodic performance review, final performance evaluation, attaching results with reward system depending on the nature of result and creating a felt fair atmosphere in the mind of all employees.

Therefore the researcher is interested to see practice of employee performance management system in commercial bank of Ethiopia.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

In this chapter the methods used, data sources, sampling techniques, data collection instruments and procedures, and data analysis methods while undertaking the study is discussed briefly as follow.

3.1. Research Design

For this study, the researcher applied descriptive research design using the fact that a descriptive research design helps us to understand and summarize the data. The summary statistics can either be represented by tabular form or graphically. Descriptive analysis enables to obtain the current information, it is also used in fact finding studies and helps to formulate certain principles and give solutions to the problems concerning local or national issues.

"The function of a research design is to ensure that the evidence obtained enables us to answer the initial question as unambiguously as possible." (David de Vaus, 2001).

Descriptive research design is used to collect numerical data from large population. In addition to this by using descriptive research method it is easy to use various forms of data as well as incorporating human experience which enabled the researcher to look the study in so many various aspects and can provide bigger overview about the subject matter. (Cohen, Anion & Morrison, 2005).

3.2. Research Approach

Research approach is the general framework for the study that links, knowledge claims, strategies of enquiry and specific methods. The research approach implicitly reflects the researcher attitude as to how knowledge is constructed and also commands what method will be employed in the study. A research can be undertaken by adopting one of three research approaches – quantitative, qualitative or mixed. The main characteristic of quantitative study is its objectivity, whilst qualitative study is attitudinal. These approaches are different in terms of their philosophical assumptions as well as techniques used in data collection, analysis and interpretation (Creswell, 2009).

To sum up, in order to achieve the research questions stated in the previous section, the researcher used both qualitative and quantitative approach (mixed approach) in collecting and analyzing data as will be discussed in the following section the core argument for a mixed methods approach is that the combination of both forms of data provides a better understanding of a research problem than either quantitative or qualitative data by itself. The selection of one over the other approach for the conduct of the study is based on the research problem or issue or concern that needs to be addressed, the researcher's own personal experience and the will and support of the audiences (Creswell, 2009). The following section will presents the methods to be adopted in the study.

3.3. Source and method of data collection

3.3.1 Source of data collection

To address the research objectives both primary and secondary source of data was utilized. To organize the primary data, the researcher used adapted questioners with some modification and interview techniques. Whereas, secondary data are obtained by investigation of related document in order to understand the subject matter, different published and unpublished documents were reviewed by the researcher i.e. website, annual and quarterly report of the bank and other material found in the library.

3.3.2 Method of data collection

Research methods are the techniques used to collect data. To address the research objectives the main data collection method that was employed in this study are mainly focused on the primary source of data. Basically, the data was collected by using questionnaires and interview. The questionnaires was included closed-ended questions that was measured by a five-point Likert scale (from strongly Agree to strongly disagree) and some open ended questions to elicit the respondents feeling. Semi structured interview will also scheduled to gather information on the subject from the district human resource of the bank.

3.4. Sampling method and sample size

The target population of the study was all 8905 clerical employees who are working in CBE four districts in Addis Ababa and Head office.

According to (Sekaran, 2003) sampling is "the process of selecting a sufficient number of elements from the population, so that a study of the sample and an understanding of its properties or characteristics would make it possible for us to generalize such properties or

characteristics to the population elements." Or Sampling is the process of choosing smaller and more manageable number of study units from a defined study population. Commercial Bank of Ethiopia is the biggest organization to the country which was established in 1942. Since its establishment it has made a lot of developments and currently it has more than 1140 branches stretched across the country. The samples are drawn from the total collection of all members or population about which this study wishes to draw conclusions.

Probability Sampling: when probability sampling is used, each member of the population has an equal likelihood of being selected to be part of the sample. From the types of probability sampling, this study finds stratified random sampling appropriate for selecting samples from the population. **A stratified random sampling** allows to take into account the different subgroups of people in the population and helps guarantee that the sample accurately represents the population on specific characteristics. It starts by dividing the population into subsamples or strata. Then samples can be randomly selected from each stratum.

For this study employees of CBE will categorize in to two strata i.e., Managerial and Non-Managerial. Moreover, as Israel(1992) 369 employees are decided to be the size of the samples from a total of 8905 employees by using sample size calculator as shown in the calculation below. To take such amount of samples from the above two strata simple random sampling technique particularly lottery method was used.

Where,

P = sample proportion,

q = 1-p;

Z = the value of the standard variant at a given confidence level and to be worked out

From table showing area under Normal Curve;

N = size of total population;

n = size of sample.

Given: At 95% confidence level the value of Z = 1.96

P = the population proportion= 0.5

N = 8,905 which is population size

e = 0.05 which is acceptable sample error

$$n = \frac{Z^2 . p . q . N}{e^2 (N-1) + Z^2 . p . q}$$

$$n = \frac{1.96^2 \,(0.5)\,(0.5)\,(8{,}905)}{0.05^2 \,(8{,}905-1) + 1.96^2 \,(0.5)\,(0.5} = 368.31234$$

n = 369

Therefore, by using the above formula a sample of 369 employees was the sample size and was allocated to the two strata proportional to their population size as presented in the following table.

According to the result revealed through the website, the total sample size for this study is 369 of which 330 are non-managers and only 39 are Managers of CBE. Unlike the method of selecting 330 sample employees through randomization, non-probability sampling particularly purposive was employed to select direct human resource related manager.

Purposive sampling helps to use his\her judgment to select cases that are best enabling the study to address the research questions and to meet the objective of the research (Sekaran, 2003).

Table 3.1 Sample size determination

Department	Employees category	No of Employees	Proportional Rate	Sample
Head office	Non- Managerial	2202	0.25	92
	Managerial	183	0.02	7
North District	Non- Managerial	1,315	0.15	55
	Managerial	159	0.02	7
South District	Non- Managerial	1,591	0.18	66
	Managerial	219	0.02	7
West District	Non- Managerial	1,473	0.17	62
	Managerial	260	0.03	11
East District	Non- Managerial	1.326	0.15	55
	Managerial	177	0.02	7
Total		8,905	1.00	369

3.5. Methods of data analysis

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

3.6. Ethical Consideration

The researcher has obtained the consent of the organization for the study. Employees who have been completed the questionnaire were informed about the purpose of data collection, analysis and the covenant to maintain privacy of their responses. Participants have been informed about the purpose of the study and their privacy and dignity also maintained. Confidential information of the bank had not disclosed and the collected data have used for the purposes of the study only. Regarding published and unpublished materials used in the

literature review and throughout all part of the study, all citations from copy right holder has been made properly.

CHAPTER FOUR
DATA ANALYSIS AND PRESENTATION

This chapter presents the data collected from both primary and secondary sources. Secondary sources are Human resource manuals and reports issued by the bank and other related documents. Primary sources are data that have been collected by undertaking questioners from employees of the bank. Moreover; an interview is made with the some branch managers and human resource development officer of the bank. The questionnaire is distributed to 369 employees and out of these employees only 313 (i.e. 85%) employees are returned. Therefore the analysis is made based on the 313 respondents' data only. The data collected through questionnaire, interview and secondary data sources is analyzed using descriptive analysis method. The output of the data is presented using tables in order to make the topic more understandable.

Table 4.1 Respondents profile

Item		Frequency	Percent	Valid Percent	Cumulative Percent
Sex	Male	192	61.3	61.3	61.3
	Female	121	38.7	38.7	100.0
	Total	313	100.0	100.0	
Age	20-29	210	67.1	67.1	67.1
	30-39	86	27.5	27.5	94.6
	40-49	7	2.2	2.2	96.8
	>50	10	3.2	3.2	100.0
	Total	313	100.0	100.0	
Educational Status	Diploma	14	4.5	4.5	4.5
	Degree	260	83.1	83.1	87.5
	Masters	39	12.5	12.5	100.0
	Total	313	100.0	100.0	
Years of service	< 2	58	18.5	18.5	18.5
	2-5	162	51.8	51.8	70.3
	5-10	71	22.7	22.7	93.0
	>10	22	7.0	7.0	100.0
	Total	313	100.0	100.0	
Category of Position	Managerial	28	8.9	8.9	8.9
	Professionals	257	82.1	82.1	91.1
	Other support staff	26	8.3	8.3	99.4
	4	2	.6	.6	100.0
	Total	313	100.0	100.0	
District office	North Addis Ababa	56	17.9	17.9	17.9
	South Addis Ababa	56	17.9	17.9	35.8
	East Addis Ababa	48	15.3	15.3	51.1
	West Addis Ababa	67	21.4	21.4	72.5
	Head Office	86	27.5	27.5	100.0
	Total	313	100.0	100.0	

The above table 4.1 indicates respondent's profile that properly filled and returned the questionnaire. As depicted on the table the distribution of respondents based on sex is 121 (38.7%) of the total respondents are females working in the bank. The percentage of male respondents constitutes the largest part 192 (61.3%) of the total sample. Indeed, the number of female respondents' participated in the study is almost proportional, given the total number of female employees in commercial bank of Ethiopia.

The distribution of respondents based age category revealed that majority (67.1%) of the respondents fall within the age range of 20-29 years. The remaining respondents, 27.5%, 2.2% & 3.2% fall with the age of 30-39, 40-49 & >=50 years respectively. This indicates that the bank consists young generation that have a capacity of doing things effectively.

Respondents profile regarding their educational background revealed that majority (83.1%) of respondents were BA degree holders and the remaining (12.5%) & (4.5%) were Post graduates and diploma holders respectively. This is because of that, in recent years the bank is hiring fresh degree graduates directly from universities and colleges.

Distribution of respondents with regard to years of service in the bank shown us that majority of the respondents (%51.8) served the bank for 2-5 years and the remaining 18.5%, 22.7%, & 7% have a service year of < 2, 5-10 & >=10 years respectively.

As can be seen from table 4.1 above 82.1% of the total respondents were under professional category followed by 8.9% managerial, 8.3% support staff of the bank like IT, Secretary and others. Therefore, the many of the total employees are professionals.

With regard to distribution of participant in their district office 15.3%, 17.9%, 17.9%, 21.4% and 27.5% from east Addis Ababa district, north Addis Ababa district, south Addis Ababa, west Addis Ababa district and head office respectively. All respondents participated were almost based on the proportion of their sample frame.

Table 4.2 Understanding of mission, strategic goal and activities

Item	Frequency	Percent	Valid Percent	Cumulative Percent
Mission and strategic goal.				
Strongly Disagree	5	1.6	1.6	1.6
Disagree	14	4.5	4.5	6.1
Neutral	14	4.5	4.5	10.5
Agree	120	38.3	38.3	48.9
Strongly Agree	160	51.1	51.1	100.0
Total	313	100.0	100.0	
Activities, tasks, products, services and process				
Strongly Disagree	4	1.3	1.3	1.3
Disagree	9	2.9	2.9	4.2
Neutral	16	5.1	5.1	9.3
Agree	146	46.6	46.6	55.9
Strongly Agree	138	44.1	44.1	100.0
Total	313	100.0	100.0	

Participants of the study were asked whether they have a clear understanding about the organization mission and strategic goals as can be seen from the above table 4.2 majority of respondents or 89.4% answered that agreed or strongly agreed so that we can say that the CBE mission and strategic goals are understood by almost all of employees with some exceptions. Understanding mission and strategic goals of the organization is one of Prerequisites that are needed before performance management system is implemented. According to Joseph.R (2000), If there is a lack of clarity regarding where the organization wants to go, or the relationship between the organization's mission and strategies and each of its unit's mission and strategies is not clear, there will be a lack of clarity regarding what each employee needs to do and achieve to help the organization get there. An organization's mission and strategic goals are a result of strategic planning, which allows an organization to clearly define its purpose or reason for existing, where it wants to be in the future, the goals it wants to achieve, and the strategies it will use to attain these goals.

As can be seen from the above table, respondents were asked whether they are clear with components of their job, including activities, tasks, products services and process. They provided their answer as 44.1% strongly agree, 46.6% agree, 5.1% neutral, 2.9% disagree and 1.3% respondent replied as strongly disagree. This indicates that most of CBE workers know their job including activities, tasks, products services and process.

Table 4.3 Performance planning

The table below shows the performance planning practice of CBE. It examined the targets given for employees were specific, measurable, attainable, and relevant.

Item	Frequency	Percent	Valid Percent	Cumulative Percent
Specific Objective				
Strongly Disagree	15	4.8	4.8	4.8
Disagree	27	8.6	8.6	13.4
Neutral	57	18.2	18.2	31.6
Agree	140	44.7	44.7	76.4
Strongly Agree	74	23.6	23.6	100.0
Total	313	100.0	100.0	
Measurable objectives				
Strongly Disagree	13	4.2	4.2	4.2
Disagree	51	16.3	16.3	20.4
Neutral	24	7.7	7.7	28.1
Agree	156	49.8	49.8	78.0
Strongly Agree	69	22.0	22.0	100.0
Total	313	100.0	100.0	
Achievable objectives				
Strongly Disagree	68	21.7	21.7	21.7
Disagree	105	33.5	33.5	55.3
Neutral	12	3.8	3.8	59.1
Agree	90	28.8	28.8	87.9
Strongly Agree	38	12.1	12.1	100.0
Total	313	100.0	100.0	
Relevant objectives				
Strongly Disagree	12	3.8	3.8	3.8
Disagree	15	4.8	4.8	8.6
Neutral	22	7.0	7.0	15.7
Agree	193	61.7	61.7	77.3
Strongly Agree	71	22.7	22.7	100.0
Total	313	100.0	100.0	
Time bounded Objectives				
Strongly Disagree	21	6.7	6.7	6.7
Disagree	26	8.3	8.3	15.0
Neutral	25	8.0	8.0	23.0
Agree	147	47.0	47.0	70.0
Strongly Agree	94	30.0	30.0	100.0
Total	313	100.0	100.0	

As can be seen from the table 4.3 above, respondents were asked whether their objectives were specific or not. Accordingly, from the total respondents 68.3% have agreed or

strongly agreed that their objectives are specific. For better achievement of organizational goal, employees' objective should be clear, unambiguous, straightforward & understandable. Besides, the specific target given for an employee shall be kept done during the rating period. Any additional assignment of job other than the specified target will negatively impact the performance measurement and evaluation.

Though the data gathered using questionnaire revealed that the objectives given for employees are specific, exceptions were indicated from the interview and document analysis that Employees' objectives which were agreed and signed with their supervisor on performance agreement contract are specific but on the course of implementation employee will work what was not specified in the performance agreement contract whenever shortage of man power arises. This condition usually happened due to shortage of man power. Managers used to rotate employees in a single rating period from their assigned job to another job which is out of the targets given in PMS contract and for which the employee will not be evaluated. Usually, this happened when employees are transferred to another branch due to transfer, promotion or demotion in the middle of the rating period. The bank has no guideline as to when to manage employees' movement from on job to another job during the rating period.

The second item that respondents were asked was whether their objectives are measurable or not. Accordingly, majority of the respondent or 71.8% answered that they are agreed or strongly agreed that their objectives given to employees are measurable. Setting measurable target is an important part of performance management process in performance evaluation phase.

From the same table item 3, respondents were asked whether their objectives were achievable or not. Accordingly, 55.2% of respondents answered they are disagreed and strongly disagreed, so that it can be said employees' objectives are not achievable. This result shows that the targets given for employees are unachievable and by far challenging. (Pulakos, 2004) advocates that, "very difficult but attainable goals lead to more effective performance outcomes than moderately difficult goals".

Interview participants revealed that, though there are a lot of unattainable targets like that of financial targets but we accept and strive our maximum effort to achieve our target by taking in to account the bank's vision of "becoming a world class commercial bank".

The data gathered from interview participants revealed that there are a lot of targets which are not achievable, like internet banking, proper utilization of controllable expense, LCY and FCY mobilization. There were more participants who didn't achieve those targets even once from the start of PMS implemented till now. Their common justification about un-achievability of electronic banking, managing controllable expense and local and foreign currency mobilization was the non-functionality of the system, inadequate budget and stretched target which doesn't consider the environment's potential respectively.

Respondents were also asked whether their objectives were relevant or not, i.e. its alignment with the strategic objective of their business process/work unit as well as the organization.

As depicted from the above table 4.3, 84.4% of the total respondents agreed and strongly agreed that the existence of alignment of employee's objective with the organizational objective. Data found from the interview revealed the same result that each employees target is aligned to their business unit target which is derived from the corporate strategic objective.

As indicated in table 4.3, 77% of the total respondents agreed or strongly agreed with the statement say my objectives are time bounded. In contrary 15% of respondents answered that their objectives are not time bounded.

Due to the fact that unaccomplished targets of one quarter targets will be carried forward to the next quarters up to the end of the fiscal year. There were also respondents that argue for the timeliness of the targets. Their justification was, the target is time bounded for a one fiscal year not for a quarter.

The logic behind cascading the yearly target and carrying forward the arrears of the previous quarter target to the next quarter/s is for the sake of monitoring achievements and ensuring the accomplishment of the annual target. This issue can be reconciled while annual performance evaluation is done.

After goal setting process has been done, performance contract agreement will be signed by the manager and employees in the beginning of the rating period. The table below shows the performance agreement practice of CBE.

Table 4.4 Performance agreement

Item	Frequency	Percent	Valid Percent	Cumulative Percent
Clarity of Job Responsibility & Expectation				
Strongly Disagree	2	.6	.6	.6
Disagree	20	6.4	6.4	7.0
Neutral	7	2.2	2.2	9.3
Agree	141	45.0	45.0	54.3
Strongly Agree	143	45.7	45.7	100.0
Total	313	100.0	100.0	
Discussion & Agreement in Goal Setting				
Strongly Disagree	120	38.3	38.3	38.3
Disagree	106	33.9	33.9	72.2
Neutral	14	4.5	4.5	76.7
Agree	60	19.2	19.2	95.8
Strongly Agree	13	4.2	4.2	100.0
Total	313	100.0	100.0	
Clear Explanation of Performance Expectation				
Strongly Disagree	31	9.9	9.9	9.9
Disagree	46	14.7	14.7	24.6
Neutral	58	18.5	18.5	43.1
Agree	126	40.3	40.3	83.4
Strongly Agree	52	16.6	16.6	100.0
Total	313	100.0	100.0	
Personal Development Plan				
Strongly Disagree	15	4.8	4.8	4.8
Disagree	54	17.3	17.3	22.0
Neutral	55	17.6	17.6	39.6
Agree	137	43.8	43.8	83.4
Strongly Agree	52	16.6	16.6	100.0
Total	313	100.0	100.0	

As can be seen from the above table 4.4, respondents were asked whether they are clear about their responsibilities and what is expected from them both behaviorally & result. Accordingly, their 90.7% of their response is placed on agreed and strongly agreed. Since the answer is positive, it is likely to be said that employees are well aware of their responsibilities and what is expected from them. On the contrary (0.6%) and (6.4%) respondents are not clear about why they are employed in CBE which reveals there should be done more to make them to know the expected output from their responsibility for the successful realization of CBE's mission and value as well as for their personal

development and growth. And the data gathered from managerial interview and document analysis show that there is high level of awareness on the understanding of Job Responsibility & Expectation.

At the beginning of each rating period, employees are expected to sign a performance agreement both result and behavioral expectations. The data found from document analysis shown that behavioral expectation is evaluated annually and result expectation is evaluated quarterly.

As indicated in the same table item 2, respondents were asked whether goal setting is carried out with the discussion between employees & supervisors after an agreement has been reached. Accordingly, 72.2% of respondents disagreed and strongly disagreed that goal setting is carried out with an agreement between employees and managers. During the interview this was also revealed that they did not set goals jointly with their supervisor. According Aguinis, (2009) performance planning is a process by which the manager and the employee get together for a discussion to set a goal which will be performed by the employee with a specific period of time. It is the first cycles where employees will be enable to have a clear knowledge about the system. It is a stage where supervisors and employees meet to discuss and agree on what is to be done and how it is to be done by combining the result, behavior and development plan. If goal setting is not part of a performance management process, employee will end up on spending time on activities that does not contribute a lot for the organization and also the employee. Hence, making employees to participate in performance planning and setting goal will increase their performance because they will develop a sense of ownership for the work they have agreed on.

Another question which was forwarded to respondents was about their awareness on the expectation from their performance. As a result 56.9% of respondents agreed and strongly agreed that supervisors informed expectation from them, 18.5% remain neutral and 24.6% replied they did not know about the expectation of their supervisor from their performance. From the responses a large number of respondents have positive agreement. However, performance expectation of the organization from each individual should be communicated well and should be understood equally by all level of employees from the higher to the lower.

The last item respondents were asked whether they reached to an agreement with their supervisors about their personal development plan to enhance their performance. Accordingly, 60.4% answered that they are agreed and strongly agreed on the statement. And 22.1% disagree and strongly disagree on the subject matter. Having an agreed development plan used to enhance the knowledge, skill and attitude of an employee to enhance his/her performance to execute the day to day activities effectively and efficiently as per the desired goal. However, when we see the data above it shows that CBE did not work enough to work on individual's development plan and help them accordingly.

Table 4.5 Provision of Feedback

According to Control theory, feedback serves as a means of shaping behavior. As employees receive feedback on their behavior or performance they appreciate the discrepancy between what they are doing and what they are expected to do and take corrective action to overcome the discrepancy. This theory recognizes feedback as a crucial part of performance management processes (Armstrong, 2009). In line with this, for feedback to work well, it should be given on time, in private, positively without destructing the personality of the employee. Moreover, managers shall be skilled enough to deliver feedback fruitfully and employees should receive feedback positively. The table below shows about the practice of provision of feedback in CBE.

Item	Frequency	Percent	Valid Percent	Cumulative Percent
Positive Feedback				
Strongly Disagree	19	6.1	6.1	6.1
Disagree	44	14.1	14.1	20.1
Neutral	50	16.0	16.0	36.1
Agree	165	52.7	52.7	88.8
Strongly Agree	35	11.2	11.2	100.0
Total	313	100.0	100.0	
Timely Feedback				
Strongly Disagree	65	20.8	20.8	20.8
Disagree	118	37.7	37.7	58.5
Neutral	6	1.9	1.9	60.4
Agree	99	31.6	31.6	92.0
Strongly Agree	25	8.0	8.0	100.0
Total	313	100.0	100.0	
Feedback in Private				
Strongly Disagree	29	9.3	9.3	9.3

Item	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	48	15.3	15.3	24.6
Neutral	60	19.2	19.2	43.8
Agree	122	39.0	39.0	82.7
Strongly Agree	54	17.3	17.3	100.0
Total	313	100.0	100.0	
Supervisors Feedback for Employees' Performance Progress				
Strongly Disagree	20	6.4	6.4	6.4
Disagree	78	24.9	24.9	31.3
Neutral	35	11.2	11.2	42.5
Agree	124	39.6	39.6	82.1
Strongly Agree	56	17.9	17.9	100.0
Total	313	100.0	100.0	
Skill of Supervisors in Feedback Provision				
Strongly Disagree	33	10.5	10.5	10.5
Disagree	55	17.6	17.6	28.1
Neutral	30	9.6	9.6	37.7
Agree	146	46.6	46.6	84.3
Strongly Agree	49	15.7	15.7	100.0
Total	313	100.0	100.0	
Attitude of Employees towards Feedback				
Strongly Disagree	13	4.2	4.2	4.2
Disagree	45	14.4	14.4	18.5
Neutral	17	5.4	5.4	24.0
Agree	132	42.2	42.2	66.1
Strongly Agree	106	33.9	33.9	100.0
Total	313	100.0	100.0	

As can be seen from the above table 4.5, respondents were asked whether their supervisor provides them positive feedback about their performance progress. Accordingly, the 63.9% answered that they are agreed and strongly agreed on the subject matter. So we can say that managers are providing their subordinates positive & developmental feedback about their performance progress.

In the same table item 2, respondents were asked whether their supervisor provides them timely feedback, in close proximity to the event. Accordingly, 58.5% of respondents disagreed and strongly disagreed on the statement where as that of 39.6 % are agreed. In addition to the questionnaire the question was also raised on the interview. The result gained from the interview shows that there is a meeting weekly, monthly, quarterly and annually basis to assess the performance of an employee which includes a feedback from

supervisor and peers in a team. However, the data gathered from questionnaire and interview is different.

As most authors agreed providing feedback is the most common justification for an organization because employees will learn how well they did the task over the period and then use the information to improve their performance in the future. Therefore from the above data the researcher believes that there is a significant gap between the management and employees on the way they think giving feedback regarding employee's performance regularly.

As can be seen from the above table, respondents were asked whether their supervisor gives them feedback in private. Accordingly, 56.3% of respondents answered that their supervisors provide feedback in private. In contrary 24.6% says feedback is not conducted in private manner.

Data found from interview and questioner participants indicated that the office layout is not conducive for providing private feedback especially in grade I & II branches. In such grade level branches, the office layout is an open hall. Managers have no separated or private office which is convenient to provide employees feedback in private.

Respondents were also asked whether their supervisor's feedback helped them to improve their performance. Accordingly, majority of respondents or 57.5% answered they are agreed and strongly agreed that supervisor's feedback helped them to improve their performance. But that of 31.3% disagreed and strongly disagreed on the statement.

In order to improve employees performance managers shall be skilled enough to deliver feedback fruitfully to be used as an input to enhance their or employees performance and employees should receive feedback positively.

As can be seen from table above, respondents were asked whether their supervisor is skilled in providing constructive feedback. Accordingly 62.3% agreed and strongly agreed and 28.1% were disagreed on the statement. As majority of respondents answered positively we can say that CBE managers are skilled in providing constructive feedback. According to (Pulakos, 2004), managers frequently avoid providing feedback because they do not know how to deliver it productively in ways that will minimize employee defensiveness. In contrary to this author's argument, it is true in this research that managers of CBE are skilled in delivering constructive feedback.

Managers were interviewed whether they are providing sufficient and constructive feedback for their subordinates. And they believe that they are providing constructive feedback for their subordinates but they have doubt about its sufficiency and frequency due to micro management of routine tasks and absence in office for training and marketing activities. An assessment of the level of provision of feedback at branches was conducted by the district human resource department in October 2015 find out that the level of feedback provision is inadequate, as found from the interview.

The last item here respondents were asked is whether they have positive attitude for feedback about its importance to their performance improvement. Accordingly, 76.1% are agreed and strongly agreed that they have positive attitude. Or we can say that employees usually reached to an agreement with their supervisors about their development plan to enhance their performance. Similar question was asked for managers whether employees have positive attitude for feedback or not. Since employees usually shown performance progress after they received feedback, they concluded that employees have positive attitude for feedback.

Table 4.6 Performance evaluation practice

On this phase of performance management process, employees' actual performance data will be gathered and appraisal will be done against the targets given in the performance planning phase. The table below presents the practice performance evaluation practice of CBE.

Item	Frequency	Percent	Valid Percent	Cumulative Percent
Data Tracking Formats				
Strongly Disagree	63	20.1	20.1	20.1
Disagree	96	30.7	30.7	50.8
Neutral	20	6.4	6.4	57.2
Agree	111	35.5	35.5	92.7
Strongly Agree	23	7.3	7.3	100.0
Total	313	100.0	100.0	
Usage of Data Tracking Formats				
Strongly Disagree	73	23.3	23.3	23.3
Disagree	102	32.6	32.6	55.9
Neutral	11	3.5	3.5	59.4
Agree	106	33.9	33.9	93.3
Strongly Agree	21	6.7	6.7	100.0

Item	Frequency	Percent	Valid Percent	Cumulative Percent
Total	313	100.0	100.0	
Discussion with supervisors to Review Performance				
Strongly Disagree	36	11.5	11.5	11.5
Disagree	95	30.4	30.4	41.9
Neutral	74	23.6	23.6	65.5
Agree	93	29.7	29.7	95.2
Strongly Agree	15	4.8	4.8	100.0
Total	313	100.0	100.0	

The above table 4.6 reviled that respondents were asked whether their supervisor uses those formats to track their daily performance so that he/she uses it for performance evaluation. Accordingly, 50.8% answered they are disagreed and strongly disagreed and 6.4% answered neutral. This indicates Managers don't use those data tracking formats to track their subordinates' daily performance data in order to use it for performance evaluation. Similarly an interview held with HR manager assured that there are around 14 data tracking formats which are appropriate to track the employees' performance data. Though the bank has proper formats, the data tracking system is manual. Hence, it is tiresome, time taking and prone to error & bias. In addition to this, there is filing problem of employees performance related data.

As shown in the same table 4.6, respondents were asked whether their supervisor uses those formats to track their daily performance so that he/she uses it for performance evaluation. Accordingly, 55.9% of the answer laid on disagree and strongly disagree. Since the answer is negative, we can say that managers don't use those data tracking formats to track their subordinates' daily performance data so that they use it for performance evaluation.

Related to usage of data tracking formats, managers were asked about the efficiency of the data tracking system. They indicated that the data tracking system is not efficient, prone to error & bias since it is manual. Sometimes, missing to record performance of employees is common and negatively affects the performance evaluation process.

With regard to performance evaluation, interview held with HR manager revealed that transfers and promotions made in the middle of the rating period hamper the evaluation process. Rating becomes difficult when release of an employee is made to new assignment for another branch. The bank has no guideline to manage the movement of employees from one job to the other in the rating period.

The last item in the above table 4.6, respondents were asked whether they have a discussion meeting with their supervisor to review their performance during evaluation. As a result, a large portion of respondents which is 65.5% answered disagree, strongly disagree and neutral. The remaining 34.5% of them agreed that after assessment has been made they have a discussion with their supervisors on the exhibited performance to be base for the next performance. From this we can understand that still CBE has done little in creating a culture of giving feedback in a continual basis and also after the completion of the performance appraisal period. Feedback toward goals and coaching to improve performance should be provided on a regular basis, and certainly before the review cycle is over. Most importantly giving feedback allows employees to be informed about how well they are doing, to receive information on specific areas that may need improvement, and to learn about the organization's and the supervisor's expectations and what aspects of work the supervisor believes are most important. Getting feedback will let employee's to know how they are performing and they also can clearly know what they all are trying to attain the strategic objectives that satisfy the vision and mission statement.

Table 4.7 Performance review

Item	Frequency	Percent	Valid Percent	Cumulative Percent
Conducting Performance Review Meeting in each Rating Period				
Strongly Disagree	18	5.8	5.8	5.8
Disagree	79	25.2	25.2	31.0
Neutral	58	18.5	18.5	49.5
Agree	121	38.7	38.7	88.2
Strongly Agree	37	11.8	11.8	100.0
Total	313	100.0	100.0	
Discussion of the Rating & Rationale for the Evaluation				
Strongly Disagree	_19_	_6.1_	_6.1_	_6.1_
Disagree	62	19.8	19.8	25.9
Neutral	64	20.4	20.4	46.3
Agree	124	39.6	39.6	85.9
Strongly Agree	44	14.1	14.1	100.0
Total	313	100.0	100.0	

This is the last phase of performance management process by which managers undertake performance review meeting with the whole employees about employees and organizational performance. The table above presents employees response about the performance review practice of CBE. As can be seen from the table above respondents

were asked whether performance review meeting is being held regarding the overall performance of employees and the organization in each rating periods. Accordingly, from table 4.7 majority of respondents or 50.5% answered that they are agreed and strongly agreed. So we can say that there is performance review meeting regarding the overall performance of employees and the organization in each rating periods.

As can be seen from the above table 4.7, respondents were asked whether managers arrange discussions with employees about their ratings, narratives and rationale for the evaluation given during performance review meeting. Accordingly, the large portion of respondents i.e. 53.7% answered, they are agreed and strongly agreed on the statement. So we can say that managers discuss with employees about their ratings, narratives and rationale for the evaluation given during performance review meeting.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATION

In the previous chapter the researcher has attempted to present findings of the data collected through questionnaire completed by randomly selected respondents with complementation of data gathered through interview and document reviews. The questionnaire and the interview were designed in line with the research questions and performance management system frameworks.

This section deals with the summary of the findings, conclusion and recommendations by putting the research topic and research questions into the account.

5.1 Summary

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

1. Does the CBE's mission, strategic goals and tasks are clearly defined for employees?
2. Does the targets given for employees during performance planning and agreement phase have specific, measurable, achievable, relevant and time framed feature?
3. Is feedback provision being done ongoing, constructive, in private, timely and with direct manager?
4. How is data tracking system & performance evaluation practice?
5. Is there a performance review in which CBE's manager and employee review the performance assessments for providing feedback in each rating period?
6. Is professional & managerial employee exhibit difference on target attainment, attitude towards feedback & clarity of job responsibility?

In order to address the above basic questions, descriptive research design was employed by using mixed research approach which comprises both quantitative and qualitative methods of data gathering. Data was gathered through questionnaire, interviews, and document review was made to increase the validity of the data obtained. To collect representative data, 369 questionnaires were distributed. Out of which, 313 of the questionnaires were collected.

The data collected from target respondents through questionnaire was compiled and summarized by using SPSS statistical software. The variables were analyzed by using

frequency counts, percentages, median and mode values. Finally, information obtained through open ended questionnaire, interview and document review were descriptively analyzed and interpreted.

Major Findings

According to the data analysis presented in previous chapter, there were both positive and negative findings concerning the implementation of the performance management system by Commercial Bank of Ethiopia. The strong points of CBE include; awareness on mission and strategic objectives of the organization, create understanding on job activities products and process, aligning the strategic objective of one's business process with the organization, create understanding on behavioral and result expectations, developing positive attitude on feedback, conducting performance review meeting in the rating periods, explaining narratives ratings and rational for evaluation and so on.

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

- ➢ From the study it was identified that more than half of the respondents (55.2%) did not agree on the achievability of targets.
- ➢ Employees (72.2%) replied that there is limited participation of employees in goal setting which leads to negative attitude for the settled plan.

- ➢ More than half of the respondents (58.5%) affirmed that there is a gap on providing timely feedback in close proximity to events.
- ➢ Majority of the respondents (57.5%) declared that they did not get a chance to discuss with supervisor to review their performance.
- ➢ Respondents (50.8%) especially from professional staff claimed that there is no proper data-tracking format to record performance of them.
- ➢ Majority of the respondents (55.9%) agreed that their supervisor didn't use formats to track employee's daily performance for performance evaluation purpose.
- ➢ From interview respondents and in the open ended question most of respondents complained that performance management system doesn't attached with reward and recognition system and this adversely affect employees motivation.

5.2 Conclusion

Performance management is a process for setting up a shared understanding of what is to be achieved at an organization level. It involves the alignment of organizational objectives with the individuals agreed measures, skills, competency requirements, development plans and the delivery of results. The focus is on performance improvement through learning and development in order to achieve the overall business strategy of the organization. Holistically, performance management integrates a multitude of elements that contribute to effective management of the human resource.

Performance management is a systematic process which a manager can use to get the team members to achieve the team's objectives and targets, improve overall team effectiveness, develop performance capabilities, review and assess team and individual performance, and reward and motivate. Effective performance management requires the identification of tasks and accountabilities, definition of competencies necessary to be successful in a position, ensuring that team members have the required competencies, having in place a system to develop competencies, providing timely feedback on how effectively the team members are applying their respective competencies to accomplish their tasks and achieve the goals and rewarding and motivating effective performance. In the event that performance does not meet established requirements, the manager must understand the corrective processes and methods that can help improve employee performance.

From this study, it has been noted that Commercial Bank of Ethiopia has neglected the importance of the involvement of employees in the goal setting process of Performance Management System. Based on the evidences obtained from the analysis, employees claimed that they are not participating in performance planning. In addition all respondents did not have chance to jointly agree on the standards of performance measures with their supervisors and in setting an individual development plan the response of participants is not that much enough or there is high level of response that indicate employees didn't reached an agreement about their development plan to enhance their performance with their supervisor. That is why employees are not aware of the performance evaluation objectives and performance standards as well as the importance of having an agreed individual development plan.

There is also no fair job rotation among employees, no sufficient resource allocation to execute their job properly, no clear mechanism in the bank to address the issue of underperformance, findings from respondent of questioner indicates no similar rating mechanism among branches and individuals and the employee performance management system lacks uniformity even though raters are believed to be competent enough. They are not feeling fairly treated in processes of employee performance management system, and performance evaluation is not attached with reward and recognition schemes.

Concerning the practice of performance evaluation in CBE problems like absence of data tracking format and not using the existing formats to record individuals result, the more manual work that may not help to get accurate data about each individual performer, lack of consistent data tracking and lack of proper documentation challenge the performance management system from providing needed result.

Regarding provision of feedback and performance review the data shows that there is no timely feedback and absence of review of individual performances this hinders the PMS system from providing the expected output.

Regardless of the above cited weak points on planning, feedback, evaluation and review the remaining areas such as well-defined mission and strategic goal, role clarity among employees and makes them goal oriented, enables to differentiate good and poor performers. Furthermore, it has created a constructive competition among staff; it has contributed to improve both individual and the bank's overall performance.

As a result, considering the fact that regardless of the type, size and objective of an organization, performance management system is a globally contemporary practice all over the world which helps the organization, team and individual to be more effective in their day to day activities to bring about the desired objective and for the successful growth and development of each, one can conclude that even though Commercial Bank of Ethiopia has some good qualities in implementing performance management system but a lot should be made in making the performance management system to be more useful for the organization.

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5.3 Recommendations

On the basis of the findings and conclusions drawn from the study, the following points were recommended for Commercial Bank of Ethiopia to take in to account for effective implementation of PMS.

1. Though specific target is given to employees, due to shortage of man power managers assign a job for employees for which the employee will not be measured. Hence, the bank should work on immediate replacement of vacant posts by allocate adequate staff. As there are few targets which are not attainable for many branches like foreign currency mobilization, recruitment of internet banking users and managing controllable expenses, the bank should note the following points.

   - The bank shall in depth look at the potential of the environment in which the branches are working during the performance planning process.
   - The internet banking system is not functioning well to be delivered for customers. The bank shall fix its problem to operate well before setting this target as performance measurement criteria.
   - Controllable expense budget shall be adequate enough which considers the transaction volume of branches that could cover their operational expenditures.

2. The organization should create a room for the practice of setting goals and standards of performance measures on the basis of mutual agreement between employees and supervisor and let employees to agree on the goals they are expected to achieve and the standards which they will be evaluated. The act of jointly setting goals and standards will provide a clear direction in the form of increasing effort, persistence towards goal accomplishment and have some motivational benefits.

3. The bank should give trainings for the supervisors on feedback issues and control them whether they give it timely or not, if not take a corrective action in order to come up with the needed result.

4. In grade I & II branches providing feedback in private is difficult due to the office layout. Manager's office is in an open hall with employees, so that it is difficult to openly & freely discuss with employees in private. Thus, the bank shall build a separate office to branch managers in all grade level branches. Customer service managers should be trained and coached in providing feedback to employees in addition to branch managers. So that sufficient feedback will be given for employees ongoing basis and that will bring performance progress.

5. The bank should automate the data tracking system. The existing manual system is very time taking, tiresome, prone to error and bias. The automation will solve also the problem of documentation of files related to employees' performance.

   Performance evaluation process negatively affected when employees transferred, promoted, demoted or rotated to another job in the middle of the rating period. There is no clear guideline to manage such incident. Thus, the bank shall develop clear guideline as to how managers can deal with such occurrence. Moreover, the bank shall manage the movement of employees from one job to another job at the end of the rating period only. And the bank has to be maintaining proper documentation and records as to respond questions or claims raised from employees.

6. Performance review meeting should be done after conducting evaluation in order to inform employees about their achievements and to look forward to what needs to be done by people to achieve the overall purpose of the job, to meet new challenges, to make even better use of their knowledge, skills and abilities, and to help them to develop their capabilities and improve their performance.

7. Performance result should attach with reward and recognition system to increase employees' motivation and to prevailing performance accountability in the bank.

8. Performance assessment should be standard across raters and branch offices through training of supervisors on assessment and quality assurance should be scaled up.

9. CBE have to create an opportunity for employees to set their individual plan with the agreement of their supervisor as they are directly responsible to execute a realistic and attainable development plan to achieve the desired goal. Establishing individual development plan will also help employees to capacitate their skill and knowledge before or during execution of performance to minimize the information and knowledge gaps which will be exhibited during performance assessment.

10. The bank has to be implement fair job rotation and provision of equal resources for all employees and units in order to creating similar rating mechanism among branches and employees to the system will have uniformity.

In general, it is advisable for bank to sustain all its current strengths, and improve its limitations   mentioned above to achieve better performance so that the bank can realize its vision to become a world class commercial bank by the year 2025.

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Appendix

Appendix 1

St. Mary's University

Department of MBA in Project Management

Questionnaire to be filled by: Employees of CBE

Dear respondents

The purpose of this questionnaire is to collect primary data for conducting a study on "Assessment of Performance Management Practice in CBE." in partial fulfillment of the award of MBA in Project Management at St.Mary's University. In this regard, I kindly request your time to provide me with reliable information, so that the findings of this study would meet the intended outcome. I strongly assure you for the confidential treatment of your answers. I would like to thank your voluntary participation for the success of my research study.

Directions

• No need to write your name,

• If you have any question, please contact me on 0913-00-75-83.

Part I – General Information

1. Gender:

A) Male   B) Female

2. Age:

A) 21-29   B) 30-39   C) 40-49   D) 50 and above

3. Educational status:

 A) Diploma   B) Degree   C) Masters   D) PhD

4. Years of service in CBE:

A) Less than 2 years   B) 2 to 5 years   C) 5 to 10 years   D) More 10 years

5. To which category does your position falls?

A) Managerial   B) Professionals   C) Other support staff

6. In which district office / division of the bank you are currently working? _____

Part II Performance Planning and Execution

Note: 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree

SN	List of questions	1	2	3	4	5
1	**Performance pre requisite**					
1.1	I have a clear understanding about the organization mission and strategic goals.					
1.2	I am clear with components of my job, including activities, tasks, products services and process.					
2	**Performance Agreement/planning**					
2.1	My objectives are specific.					
2.2	My objectives are measurable.					
2.3	My objectives are Achievable.					
2.4	My objectives are relevant. (It is aligned with the strategic objective of my business process/work unit as well as the organization.)					
2.5	My objectives are time bounded.					
2.6	I am clear about what my job responsibilities are and what is expected from me i.e. both behavioral and result expectations.					
2.7	In CBE goal setting is carried out with the discussion between the employee and the supervisor, after an agreement has been reached.					
2.8	While setting a goal, my supervisor clearly tells me the expectation he/she has from my performance.					
SN	List of questions	1	2	3	4	5
2.9	My supervisor and I reached to an agreement about my development plan to enhance my performance					
3	**Provision of feedback**					
3.1	My supervisor provides me positive & developmental feedback about my performance progress.					
3.2	My supervisor provides me timely feedback, in close proximity to					

	the event.					
3.3	My supervisor provides me feedback in private.					
3.4	My supervisor's feedback helped me to improve my performance.					
3.5	My supervisor is skilled in providing constructive feedback.					
3.6	I have positive attitude for feedback. It is important for my performance improvement.					
4	**Performance evaluation**					
4.1	There is a proper data-tracking format to record employee's performance in CBE.					
4.2	My supervisor uses those formats to track my daily performance so that he/she uses it for performance evaluation.					
4.3	After evaluation has been done, I always had a discussion meeting with my supervisor to review my performance.					
5	**Performance review**					
5.1	Performance review meeting is being held regarding the overall performance of employees and the organization at the end of each rating period					
5.2	During performance review meeting, managers discuss with employees their ratings, narratives and rationale for the evaluation given					

6. What are the major benefits gained for the bank and yourself from employee performance management system implementation?

_____

_____.

7. What are the major challenges you faced as a result of Employee Performance Management System implementation in the bank?

_____

_____

8. Please, write other points that are not addressed in the questionnaire, if any.

_____

_____

_____

_____

_____

….Thank you for cooperation….

Appendix 2

St. Mary's University

Department of MBA in Project Management.

Interview Questions

Researcher Name: Firehiwot Tesfaye

The researcher is currently conducting research thesis for the purpose of fulfilling requirements of Master of Art Degree in project Management at St.Mary's University. The following questions will ask about Employee Performance Management practice in commercial bank of Ethiopia and you are selected because of your role and closeness to the subject. Your responses will be kept Confidential and used for academic purpose only.

Thank you for participating in this interview!!

1. Does the specific job performed by an individual is linked with the strategic objective of the organization?

2. How the performance planning practice looks like? Discuss with the SMART elements of the objectives.

3. Have you ever assess the performance of PMS implementation in branches? What were the gaps you observed?

4. Is the bank's data tracking tool manual or automated?

5. Do you think the bank's data tracking system is efficient enough to handle the intended evaluation?