



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

**PRACTICES AND CHALLENGES OF PERFORMANCE  
MANAGEMENT SYSTEM AT AWASH INSURANCE COMPANY**

**BY**

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**AUGUST, 2016**

**ADDIS ABABA, ETHIOPIA**

**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
MASTER OF BUSINESS ADMINISTRATION**

**PRACTICES AND CHALLENGES OF PERFORMANCE MANAGEMENT SYSTEM  
ATAWASH INSURANCE COMPANY**

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

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Shoa Jemal (Asst. Prof). All sources of materials used for the thesis have been duly acknowledged, I further confirm that the thesis has not been submitted either in part or in full to any other university for the purpose of earning any degree.

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August, 2016

## **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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August, 2016

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## **Abbreviations:**

HR- Human resource

HRM- Human Resource Management

PM-Performance Management

AIC – Awash Insurance Company

PMS-Performance Management System

SPSS-Statistical Package for Social Science

SD-Standard Deviation

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## ***ABSTRACT***

*Performance Management System is a continuous process encompassing performance planning & execution, monitoring, developing, assessment & reward. The purpose of this study was to assess and describe Practices and Challenges of Performance Management System of AIC, head office. Awash Insurance Company (AIC) is one of the pioneer private insurance companies in Ethiopia. This study employed a mixed type (both qualitative and quantitative) descriptive cross-sectional research design. The data were collected using questionnaires on the five basic components of PMS and related challenges of PMS by distributing to the sample of 80 non-management staff & interview questioner for 4 management staff. Simple random sampling technique is used for non-management staff & purposive sampling is used for management staff of AIC while distributing the questionnaire. The data were analysed using SPSS software version 20 and presented in frequency, percentage and mean tables. The study findings indicate that majority (60%) of the employees know their company vision, mission & value statements & 52.5% believe that their jobs are aligned with that of the company. Fifty eight point seven percent & 80% of the respondents replied that their performance result is not utilized as an input for different benefits & no standard time is given for their daily activity respectively. In addition 51.3% of the respondents mention that training is not given upon identification of performance gap. On conclusion though majority of the employees know the vision and mission of the company the major pillars of PMS are not implemented in AIC. Based on the study the company is recommended to review its performance management system and apply the whole cycle of Performance Management System for better development and expansion by having competent employees*

*Keywords: Performance Management System, Alignment, Awash Insurance Company*



## **CHAPTER ONE**

### **INTRODUCTION**

*This chapter deals with set up basis of the current research. In this chapter background, justification, objective, significance, scope and limitation of the study are dealt with. So that readers can understand the purpose of the research, the basic question addressed by analysis and the contribution of the study to the existing body of knowledge.*

#### **1.1 Background of the study**

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” (James Smither and London 2009 p.5). Human resource is a backbone of any organization in coordinating and controlling the whole activities of the organization directly or indirectly to ensure achievements of organizational goal. Human resources are different from other organizational resources in that human resource is organic in nature which continuously develops and sustains competitive advantage by creating value which cannot be imitated like other resources, that’s why successful companies are those who believe and consider their human capital as their most important asset of the company.

Performance Management process motivates employees if carried out properly. The achievement recognition through feedback, the opportunities to achieve, the base to develop and guidance to career paths are non-financial rewards that are long-lasting and more powerful than financial rewards. Performance management encourages employees to be engaged in their jobs with enhanced commitment. (Armstrong, 2006)

Performance Management is not a one or two times work; rather it is a full year process to be implemented throughout the year by focusing on classifying, evaluating, and improving individual’s performance which is aligned with the organization goal. (Agunis, 2009). From the above we can understand that performance management is not all about filling performance evaluation rather it involves different activity to be done which will foster & align individual goal with company goal for mutual benefit & success.

In today's Ethiopia financial business sector particularly insurance is young and growing area of business and that's why new insurance companies keep in joining the market & the existing expand. Both the existing and new insurance companies need expertise in their field in the way of moving to success. However, expansion and opening of new branch by itself doesn't lead companies to success rather it is the quality, skill, service, and commitment of employees that brings ultimate success. In this regard, performance management system of an organization plays a vital role in creating and/or upgrading the needed skill combination, improving performance of individual & group, motivating and keeping the employee, and achieving organizational goal in general.

Armstrong M. (2009) argued that Performance Management as one of the aspects of human resource management ( HRM ) is advancing the performance of the organization to the higher expectation by developing individual and team performance in a systematic way through cascading the goal of the organization down to teams and individuals with the aim of getting better results.

The present study asses the performance management practices along with its challenges of Awash Insurance Company's head office. The student researcher identified some of the problems related to performance management practices of the organization through discussion with some staff of the company. The major outcomes will help for the improvement in efficiency and effectiveness of performance management practices of Awash Insurance Company.

## **1.2 Background of the Organization**

Awash Insurance Company (AIC) is one of the pioneer private insurance companies in Ethiopia. It was founded in October 1994 and started operation in January 1995 with more than 791 individual and corporate shareholders as of October 2015 with the aim to provide General Insurance and Long-term (Life) Insurance Business services to insurers. Currently AIC has a subscribed capital, of ETB 300,000,000.00 and a paid-up capital of, ETB 120 million. The insurance company has a track record of profitable company throughout its years of service, with over 24% investment return on the average. AIC provides several types of insurance services— life & non-life insurance services operating through one life branch, 3 contact offices, and 33 Non-life branch offices out of which 23 are located in the capital, Addis Ababa, whereas 14

branches located in major towns across the country ( official web site of AIC accessed on August 2,2016) .

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

In the current competitive market environment among local organizations and moving to international market; the need for national and international competitiveness calls for improved performance of each individual and teams working together to achieve organizational goals. Even if it is not clearly known how and to what extent performance management systems improve employee' competency and/or be a challenge for strategic goals, it is believed that, without having a high performing employee and units it will be difficult for organizations to compete with national or international market. To ensure competitiveness in the market, performance management system is highly desired to develop the capacity of the employees and inspire them to put maximum effort towards realizing organizational goals.

The service quality of insurance companies mostly depends on the presence of trained, professional, committed, competent and properly managed employees. A continuous and relevant employee performance management system signifies how the workforces are properly handled i.e. selecting, training, behaviourally managing, and communicating workers ensure that the firm's goal will be met as expected. Because of this fact managing human resource performance is crucial to the long term success of a company and ultimately to its survival since employees' performance affects the entire existence of the firm.

The overarching principles governing effective performance management were defined by Egan (1995): as most employees want direction, freedom to get their work done, and encouragement not control. The performance management system should be a control system only by exception. The solution is to make it a collaborative development system, in two ways. First, the entire performance management process – coaching, counselling, feedback, tracking, recognition, and should encourage development. Ideally, team members grow and develop through these interactions. Second, when managers and team members ask what they need to be able to do to do bigger and better things, they move to a strategic development.

Strebleret *al* (2001) on the other hand suggested that, the following principles were required for performance management to work effectively:



- Have clear aims and measurable success criteria.
- Be designed and implemented with appropriate employee involvement.
- Be simple to understand and operate
- Make its use fundamental to achieving all management goals
- Allow employees a clear ‘line of sight’ between their performance goals and those of the organization.
- Focus on role clarity and performance improvement
- Be closely allied to a clear and adequately resourced training and development infrastructure.
- Make crystal clear the purpose of any direct link to reward and build in proper equity and transparency safeguards.
- Be regularly and openly reviewed against its success criteria

Keeping the above points in mind, based on the preliminary assessment of the researcher by discussion with employees’ of AIC-head quarter, the researcher came to an understanding that Performance Management System is not clearly practiced and articulated for the employees of the company with regard to planning, monitoring, developing, assessment & reward of performance & the whole purpose of the PMS. Taking into consideration the importance of performance management system in Awash Insurance Company, the student researcher got interested to assess the practices and challenges of performance management system in AIC in line with its purpose, importance and influence, goal alignment, performance agreement, performance management challenges, continuing performance management and performance evaluation.

#### **1.4 Research Question**

Organisations operate in complex and changing environments. They grow in productivity, activities and profitability, which pose greater challenges to them and require changes in the way they operate (Carnall, 2007). All these challenges and increasing demands from external environments might mean that they have to cultivate a performance- and achievement–orientated culture (Armstrong, 2006; Kaplan & Norton, 1996; Kates, Marconi & Mannle Jr., 2001;

Swanson, 1996). The following basic research questions related to Practices & Challenges of Performance Management system of AIC were set in this study:

1. What purpose does the performance management system have in Awash Insurance Company?
2. How are the performance planning carried out at Awash Insurance Company?
3. How the assessment stage of performance management system is undertaken by the company?
4. Do employees get feedback regularly or at the time of performance evaluation?
5. Is there any reward attached to performance result?
6. What are the challenges that impede implementation of performance management system at AIC?

## **1.5 Objectives of the Study**

### **1.5.1 General Objective**

The principal objective of the study is to assess the Practices and Challenges of Performance Management System at Awash Insurance Company and the specific objectives are as follows.

### **1.5.2 Specific Objectives**

To ensure achievement of the general objective, the researcher has the following specific objectives:

- To Identify the purpose of performance management system at AIC
- To investigate the practices of planning phases of performance management system at AIC.
- To examine whether the performance assessment stage is taking place properly in AIC.
- To assess if training is given to the staff of AIC with regards to PMS
- To describe if reward is attached to performance achievement.
- To identify the challenges faced while implementing performance management system in AIC.

## **1.6 Significance of the Study**

The overall aim of this research was to identify the major problems in practices and challenges of Performance Management System and provide possible suggestions for improvement & strengthening AIC's performance management system. Hence, the findings of this study will influence the decision-making processes about introducing a PMS effectively based on the challenges faced for the selected organisation. Moreover, the research also contributes to the theoretical knowledge of PMS expanding the body of knowledge about the readiness of organisations before introducing performance management systems. Therefore, various employers in the public and private sector can use this study to prepare their organisations for change and the successful introduction of PMS by overcoming challenges faced.

## **1.7 Scope and Limitations of the Study**

Performance management is holistic by its nature and measures organizational performance, team performance & individual performance and is applicable to all types of organization regardless of its size, nature and goal. This study focuses on performance of individuals and its scope is limited to assessing Practices and Challenges of Performance Management System at Awash Insurance Company head office. Due to time and financial constraints, the research was confined to the respondents located in the head office of AIC and interview also couldn't be made due to time inconvenience for management staff.

## **1.8 Organization of the Paper**

This study is organized under five chapters. The first chapter deals with introductory part which consists of introduction, background of the study, statement of the problem, research question, general & specific objectives of the study, significance of the study, scope and limitations of the study. The second chapter deals with review of related literatures while the third chapter deals with research methodology. The fourth chapter will focus on data analysis and presentation of assessment on practices and challenges of performance management system, and the final chapter deals with summary of major findings, conclusion and recommendations based on the findings.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURES

*To gain a better understanding of performance management system and related challenges this chapter presents theoretical & empirical literatures reviewed and conceptual framework developed in relation to the research topic.*

#### **2.1 Theoretical Literatures**

##### **2.1.1 Overview of Performance Management**

In today's ever changing business environment, full of stiff competition where globalization makes the world closer; a company should closely watch, train, motivate, reward & keep its skilled manpower in order to get competitive advantage. Management plays a vital role in designing and maintaining an environment in which individuals, working together in groups, to accomplish efficiently selected aims. How to manage human resources is crucial to the long-term value of a company and ultimately to its survival.

A company should review performance of its employees regularly & give proper feedback as needed since a company without competent people cannot reach its vision and cannot achieve its short and long term goals. According to (Armstrong 2006) Performance management is a process of improving the performance of an organization by helping individuals and team to develop their capacity to reach the intended destination.

For firms overall short term & long term success, a well-represented human resource with competence, business sense and contact with operations, clearly defined performance by setting objective, measuring achieved results and feedback of employee performance information; a good and effective communication system linking the organization with its internal & external environment that ensure the effectiveness of the expected employee's performance results are considered vital element.

Performance management is based on the agreement of objectives, knowledge, skill and competence requirements, performance improvement and personal development plans and it involves the joint and continuing review of performance against these objectives, requirements

and plans and the agreement and implementation of improvement and further development plans (Armstrong 2000).

Armstrong in his research indicated that performance management is an integrated and systematic process of sustaining the organization's success by improving the performance of its employees. This is done through developing the capacity of individuals and teams who contribute to achieve the organization's objectives (Armstrong 2000). Performance management is said an integrated process to ensure excellence in the management and development of people. First it links the organization's objective with the teams and individual core competences. Second, it integrates different aspects of human resource management including organizational development, human resource development, reward, and recognition.

### **2.1.2 Meaning of Performance**

Performance is often defined simply in output terms the achievement of quantified objectives. But performance is a matter not only of what people achieve but how they achieve it. High performance results from appropriate behaviour, especially discretionary behaviour, and the effective use of the required knowledge, skills and competencies. Performance management must examine how results are attained because this provides the information necessary to consider what needs to be done to improve those results (Armstrong, 2006, p-14).

The concept of performance has been expressed by Brumbach as follows: 'Performance means both behaviours and results where behaviours' start from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviours' are also outcomes in their own right – the product of mental and physical effort applied to tasks – and can be judged apart from results.' This definition of performance leads to the conclusion that when managing performance both inputs (behaviours) and outputs (results) need to be considered. It is not a question of simply considering the achievement of targets as used to happen in management-by-objectives schemes. Competence factors need to be included in the process and this is the so-called 'mixed model' of performance management, which covers the achievement of expected levels of competence as well as objective setting and review (Brumbach)

### **2.1.3 Purpose of Performance Management**

Armstrong (2004) argues that the purpose of performance management should be a means of getting better results from the organization, teams and individuals, by understanding and managing performance with an agreed framework of planned goals, standards and competence requirements. It is a process of establishing shared understanding about what is to be achieved and an approach to managing and developing people in a way that increases the probability that it will be achieved in the short and long term. A person's performance may be appraised during the few days on the job as on probation period, quarterly, twice a year and yearly to review where the employee stands and to determine any needs of improvement. The sum of all evaluation also helps higher management for decision as opportunity arises for employee for promotion.

While according to Smither and London (2009), the fundamental goal of performance management is to establish a culture in which individuals and groups take responsibility for the continuous improvement of business processes and for their own skills and contributions.

Performance management has many advantages such as: Strategic, administrative, communication, developmental, organization maintenance and documentation. The major ones are discussed as below,

#### **2.1.3.1 Strategic Purpose**

Performance management should link the employee activities with the organization's goal and relate employees' performance evaluation to the achievement of strategic goals and objectives of the organizations and this is one of the primary means of implementing strategies. This is practiced by means of defining the results, behaviours, and to some extent, employee characteristics that are necessary for carrying out the strategy, then developing measurement and feedback systems that will maximize the extent to which employees exhibit the characteristic, engage in the behaviours, and produce the results. In addition it help organizations in developing their talent management which means to categorize employees' strength and weakness, association employees to appropriate training and development activity, and prize good performance with pay and other incentives.

### **2.1.3.2 Administrative Purpose**

Organizations use performance management information, particularly performance appraisal in many administrative decisions such as salary administration, which is most frequently used to determine salary compensation. Besides performance improvement and feedback help employees measure where they stand for future promotions, retention/termination, layoffs, and recognition of individual performance. Furthermore, it promotes a culture of HPLO (High Performance & Learning Organization) by continuously monitoring and coaching employees to improve the working culture & competitiveness of the organization.

### **2.1.3.3 Developmental Purpose**

The third purpose of performance management is to develop employees who are effective at their jobs. When employees are not performing well as they should, performance management seeks to improve their performance through the feedback given during performance evaluation process often pinpoints the employee's weakness. Ideally however, the performance management system identifies not only the aspects of the employee's performance that are deficient but also the causes of these deficiencies. Managers are often uncomfortable confronting employees with their performance weakness, although such confrontation necessary to the effectiveness of the work group, often stress every day working relations. Giving non-financial rewards such as, identify training and development requirements opportunities for performance improvement and giving feedback on future career development increases employee's commitment & attachment with the company.

Figure 2.1 What Management and Individuals can gain from Performance Management

What Management can get	What individuals can gain
<p>The opportunity to:</p> <ul style="list-style-type: none"> <li>➤ Integrate individual, team &amp; corporate</li> <li>➤ Guide individual and team effort to meeting overall business needs;</li> <li>➤ Meeting overall business needs;</li> <li>➤ Motivate and engage employees;</li> <li>➤ Recognize individual contribution;</li> <li>➤ Plan individual careers (talent management);</li> <li>➤ Introduce relevant and effective learning and development programs to meet identified needs.</li> </ul>	<p>They will:</p> <ul style="list-style-type: none"> <li>➤ Know what is expected of them:</li> <li>➤ know how they stand</li> <li>➤ know what they need to do to reach their goals</li> <li>➤ be able to discuss with their manager, their present job, their development &amp; their future</li> </ul>

*Source; Armstrong's Handbook of Performance Management (P.24)*

#### 2.1.4 Concerns of Performance Management

The following are the main concerns of performance management adapted from (Armstrong 2009)

- **Concern with outputs, outcomes, process and inputs.** Performance management is concerned with outputs (the achievement of results) and outcomes (the impact made on performance). But it is also concerned with the processes required to achieve these results (competencies) and the inputs in terms of capabilities (knowledge, skill and competence) expected from the teams and individuals involved.
- **Concern with planning.** Performance management is concerned with planning ahead to achieve future success. This means defining expectations expressed as objectives and in business plans.



- ***Concern with measurement and review.*** ‘If you can’t measure it you can’t manage it.’ Performance management is concerned with the measurement of results and with reviewing progress towards achieving objectives as a basis for action.
- ***Concern with continuous improvement.*** Concern with continuous improvement is based on the belief that continually striving to reach higher and higher standards in every part of the organization will provide a series of incremental gains that will build superior performance. This means clarifying what organizational, team and individual effectiveness look like and taking steps to ensure that those defined levels of effectiveness are achieved. As Armstrong and Murlis wrote, this involves: “*Establishing a culture in which managers, individuals and groups take responsibility for the continuous improvement of business processes and of their own skills, competencies and contribution*”.
- ***Concern with continuous development.*** Performance management is concerned with creating a culture in which organizational and individual learning and development is a continuous process. It provides means for the integration of learning and work so that everyone learns from the successes and challenges inherent in their day-to-day activities.
- ***Concern for communication.*** Performance management is concerned with communication. This is done by creating a climate in which a continuing dialogue between managers and the members of their teams takes place 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 (Armstrong and Murlis)
- ***Concern for stakeholders.*** Performance management is concerned with satisfying the needs and expectations of all the organization’s stakeholders– owners, management, employees, customers, suppliers and the general public. In particular, employees are treated as partners in the enterprise whose interests are respected, whose opinions are sought and listened to, and who are encouraged to contribute to the formulation of objectives and plans for their team and for themselves. Performance management should respect the needs of individuals and teams as well as those of the organization, recognizing that they will not necessarily coincide.

- ***Concern for fairness and transparency.*** Four ethical principles that should govern the operation of the performance management process have been suggested by Winstanley and Stuart-Smith. These are:
  - respect for the individual
  - mutual respect
  - procedural fairness
  - transparency of decision making

### **2.1.5 Performance Measurement Approaches**

Performance measurement is an important part of effective performance management system. It is the point where assessment is done on how an employee has performed on the job during the period selected for evaluation. In his book titled a comprehensive handbook for personnel management Shashi Kapur defined Performance appraisal as "a method of collecting information through official channels about the achievements of an employee for a specific period for comparing them against set targets or expected performance standards with a view to assess his contribution to the organization" (ShashiKapur,P.332). There are different approaches to performance measurement; comparative approach, attribute approach, behavioural approach, result approach, and total quality approach:

**1. The comparative approach** - This approach usually uses some overall assessment of an individual's performance, worth and seeks to develop some ranking of the individual within a given work group. There are three methods that fall under comparative approach. These are ranking, forced distribution & paired comparison.

**2. The Attribute Approach** - The attribute approach to performance, focuses on the extent to which individuals have certain quality or characteristics or traits believed to be desirable for the organization's success. Organizations use this approach for performance measurement and develop qualities such as initiative, competitiveness, leadership & office discipline and evaluate employees against them. The attributive approach has different methods of evaluation; the graphic rating scale and mixed standard scale can be mentioned as an example.

**3. The Behavioural Approach** - The behavioural approach to employees performance management attempts to define the behaviours an employee must demonstrate to be effective in the job. Different techniques define those behaviours and then require managers to evaluate

the extent to which employees demonstrate them. Methods used by this approach are behaviourally anchored rating scale, behavioural observation scale and competence model of performance management lay under behavioural approach.

**4. The Result Approach** The result approach to performance management focuses on managing the objective, measure the best results of a job, or work groups. This approach assumes that subjectivity can be eliminated from the measurement process and that results are the closest pointer of employee contribution to the organization's success and methods that fall under result approach are the balanced scorecard and the productivity measurement & evaluation system.

**5 The Total Quality Approach** The traditional approach to measure and evaluate employee performance, advocates of the total quality approach believe that sales, profit margins, and behavioural rating are often collected by managers to evaluate employees performance. However, according to total quality management, these types of outcomes shouldn't be used to evaluate employees' performance because they do not have complete control over them. Total quality management suggests that the major focus of performance evaluation should be to provide employees with feedback about area in which they can improve.

### **2.1.6 Performance Management System**

Performance management system is a kind of completed and integrated cycle for performance management. The emphasis of performance management systems is on continuously improving organizational performance, and this is achieved through improved individual employee performance (Macky & Johnson, 2000). Similarly Lwaler (2003) states that, the objectives often include motivating performance, helping individuals develop their skills, building a performance culture, determining who should be promoted, eliminating individuals who are poor performers, and helping implement business strategies.

The main purpose of the performance management system is to ensure that:

1. The work performed by employees accomplishes the work of the company;
2. Employees have a clear understanding of the quality and quantity of work expected from them;
3. Employees receive ongoing information about how effectively they are performing relative to expectations;

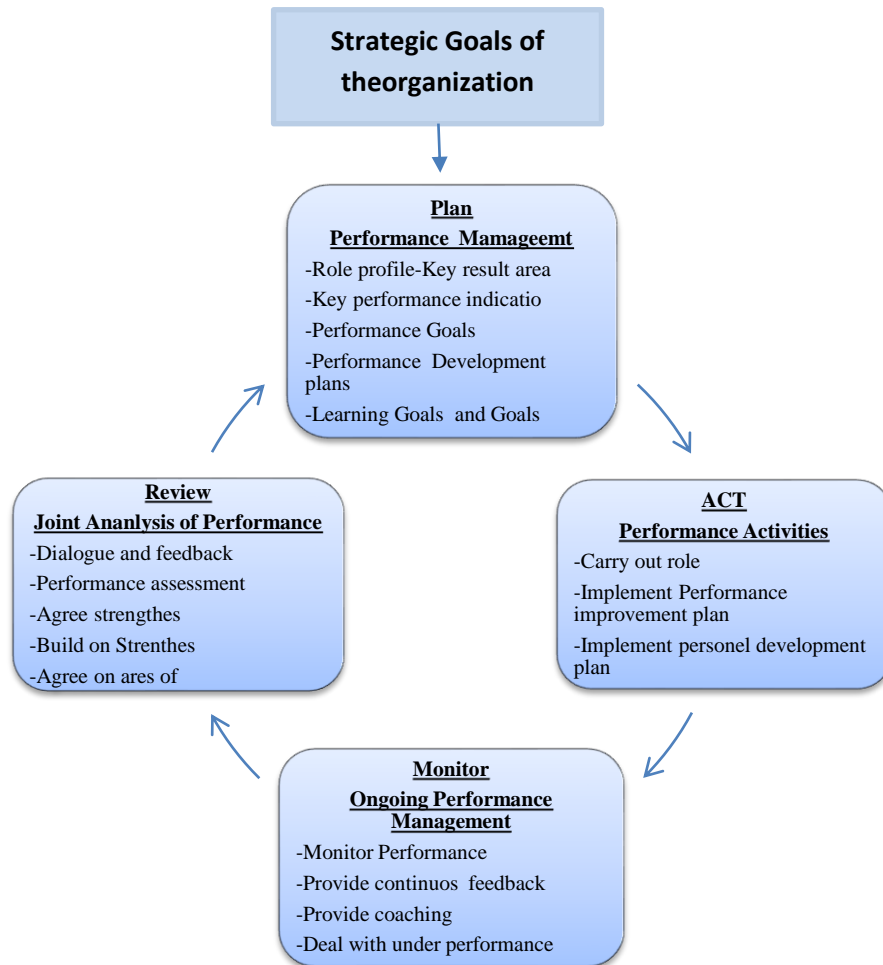
4. Awards and salary increases based on employee performance are distributed accordingly;
5. Opportunities for employee development are identified; and
6. Employee performance that does not meet expectations is addressed.

Developing a performance management system, according to Schneier, Beatty, and Baird (1987), is classified into a planning, developmental, managing, reviewing, and rewarding phase. Macky and Johnson (2000) suggested that a typical performance management system would include: the organization communicates its mission/strategies to its employees; the setting of individual performance targets to meet the employee's' individual team and ultimately the organization's mission/strategies; the regular appraisal of these individuals against the agreed set targets; use of the results for identification of development and/or for administrative decisions; and continual review of the performance management system to ensure it continues to contribute to the organizational performance, ideally through consultation with employees.

Fletcher in his 1996 research wrote that the main building blocks of a performance management system approach include development of the organization's mission and objectives; enhancing communication within the organization so that employees are not only aware of the objectives and the business plan, but can contribute to their formulation; clarifying individual responsibilities and accountabilities; defining and measuring individual performance; implementing appropriate reward strategies, and developing staff to improve performance, and their career progression further in the future.

## The Performance Management Cycle

Figure 2.2. Performance Management Cycle



Source: Armstrong M.(2006) Handbook of performance management system(p-17)

According to the above cycle the major components of Performance Management System: Performance planning & execution, Performance Monitoring, Developing Performance, Assessment & review and Rewards can be detailed as follows:

### 2.1.6.1. Performance Planning & Execution

Before planning is undertaken, the organization's vision, mission and strategic goals have been clearly understood and based on the strategic goal all higher level management should share their part according to their division. So the strategic goal should be cascaded at organization level,

department level, supervisor level and employee level through, the strategic goals are cascaded from top level manager down to lower level employee (Armstrong and Baron 2004).

Planning is the first stage in the performance management system process cycle and offers the foundation for an effective process. The ordinary meaning of performance planning is setting performance expectations and goals for groups and individuals to channel their efforts toward achieving organizational objectives. And Performance execution is getting the job done. According to Armstrong and Baron (2004), objectives or goals describe something to be accomplished by individuals, departments and organizations over a period of time. They can be expressed as targets to be met, for instance, sales and tasks to be completed before the deadline. The researchers also further states that objectives need to be defined and agreed on goal set must be SMART; Specific, Measurable, Attainable, Realistic & Time bound. While planning is done it should be done in consultation between the supervisor and subordinates in setting goal.

Involving employees in the planning process increases their commitment and helps them understand the goals of the organization, what needs to be done, why it needs to be done, and how well it should be done by combining the result, behaviour and development plan. Development plan is also one part of this stage; it is identifying areas of improvement and setting goals to be achieved in each area. It usually includes both results and behaviours. Such plans highlight employee's strengths and the areas in need of development, and they provide an action plan to improve in areas of weaknesses and further develop areas of strength. In addition it helps employees to identify how continually learn and grow, to see the possibility of being better in the future and helps them to avoid performance problems faced in the past (Smither and London 2009). They also mentioned the following responsibilities of supervisor in the execution stage of performance management system.

- **Observation and documentation:** - it is an observation and documentation of employee's performance in a daily basis which helps to keep track of both good and poor performance.
- **Updates:** - when there is a change in organizational goal, supervisors must update and revise the initial planned objectives, standards, key accountabilities and key competencies accordingly.

- **Feedback:** - in order to improve performance, feedback should be provided regularly before the time of assessment and also supervisors should coach and mentor employees every time.
- **Resources:** - without sufficient resource it is difficult for employees to achieve the planned objective. Thus supervisors have a responsibility of ensuring the availability of 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 behaviours 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.

#### **2.1.6.2 Performance Monitoring**

In organizations strive for improvement & growth, assignments and projects are monitored continually. By monitoring it means that consistently measuring performance and providing ongoing feedback to employees and work groups on their progress toward reaching their goals. Supervisory requirements for monitoring performance include conducting progress reviews with employees where their performance is compared against their elements and standards. While monitoring employees' knowledge, skill & attitude is reviewed. Ongoing monitoring provides the opportunity to see how well employees are meeting predetermined standards and to make changes to unrealistic or difficult standards. And by monitoring continually, unacceptable performance can be identified at any time during the appraisal period and assistance provided to address such performance rather than wait until the end of the period when summary rating levels are assigned.

#### **2.1.6.3. Developing Performance**

Developing means that increasing the capacity of employees through scheduled and non-scheduled trainings, improving work processes, teaching new skills, giving new assignments and shifting of assignments. In organization which focuses in their HR developmental needs are evaluated and addressed as soon as possible. Through developing the capacity of employees &

analysis will increase. Providing employees with training and developmental opportunities encourages good performance, strengthens job-related skills and competencies, increase commitment of employees the organization, motivate employees to responsibility and keep meeting deadline and helps employees keep up with changes in the workplace, such as the introduction of new technology, new product and business expansion. Practicing the processes of performance management provides a good opportunity to identify developmental needs.

#### **2.1.6.4 Performance Assessment**

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 by comparing the actual performance against the desired (planned) performance. This activity lays a ground for keeping the strength, improving on the weaknesses, and working on the development plan for the future. According to Bloisi (2007) Performance Appraisals (PA) is the assessment of individual's performance in a systematic way. It is a developmental tool used for all round development of the employee and the organization. The performance is measured against such factors as job knowledge, quality and quantity of output, initiative, leadership abilities, supervision, dependability, co-operation, judgment, versatility and health. Assessment should be confined to past as well as potential performance also.

Although many sources can be used to collect performance information such as peers or subordinates, in most cases the direct supervisor provides the information. It is important that both the employee and the supervisor take ownership of the assessment process. 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. The manager fills out his or her appraisal form, and the employee should also fill out his or her own 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).

#### **2.1.6.5 Reward**

The reward stage of performance management is the stage where recognition is given for employee's outstanding performance in the given period and acknowledging their contribution to



the achievement of company goals. A basic principle of effective management is that all behaviour is controlled by its consequences and those consequences can and should be both formal and informal and both positive and negative and the positive one got rewarded. Good performance should always be recognized without waiting for nominations for formal awards to be asked. Recognition should be an ongoing, natural part of day-to-day experience to be exercised by manager (supervisor). A lot of actions that reward good performance like saying "Thank you" don't require a specific controlling authority.

### **2.1.7. Principles of Performance Management System**

For performance management to be successful there are features that are likely to produce good results in terms of individual, team and organizational performance. However, the practical constraints may not allow for the implementation of these entire features. For example, there may not be sufficient funds to deliver training to all people involved, supervisors may have biases in how they provide performance ratings, or people may be just too busy to pay attention to a new organizational initiative that requires their time and attention. Smither and London (2009) assert that, as scientist practitioners we should strive to place a checkmark next to each of these characteristics. The more features are checked, the more likely that the system will live up to its promise (Smither and London 2009).

Smither and London (2009) wrote before implementing performance management system in organization wide, it is wise to pilot test since it can help in identifying potential problems and glitches that leads management to take corrective action before the system is put in place. Pilot testing consists of implementing the entire system, including all of its components, but only with a select group of people. Results are not recorded in employees' records. Instead, the goal is that the people participating in the pilot - test provide feedback on any possible problems and on how to improve the system (Smither and London 2009).

Further, Smither and London (2009) continue by stating that pilot testing will help to check whether the performance management system is desirable for the specific organization or not by checking the following components of best practice in performance management system.

**1. Strategic Congruence:** - is the degree to which a performance management system motivates job performance that is congruent with the organization's strategy, goals, and culture. For

example, if a company emphasizes customer service, then its performance management system should assess how well its employees are serving the company's customers. Strategic congruence emphasizes the need for the performance management system to guide employees in contributing to the organization's success.

**2. Validity:** - is the extent to which a performance measure evaluates all the relevant—and only the relevant—aspects of performance. This is often referred to as “content validity”. Validity is concerned with maximizing the connection between actual job performance and the measure of job performance.

**3. Reliability:** - refers to the consistency and accuracy of a performance measure. The consistency of evaluation can be seen as if same rate is given among the individuals who evaluate the employee's performance. Evidence seems to indicate that most subjective supervisory measures of job performance exhibit low reliability.

**4. Acceptability:** - refers to whether the people who use a performance measure accept it. Managers elaborate performance measures are extremely valid and reliable, but they consume so much of managers' time that they refuse to use it. Alternatively, those being evaluated by a measure may not accept it. Acceptability is affected by the extent to which employees believe the performance management system is fair.

**5. Specificity:** - is the extent to which a performance measure tells employees what is expected of them and how they can meet these expectations. Specificity is relevant to both the strategic and developmental purposes of performance management. If a measure does not specify what an employee must do to help the company achieve its strategic goals, it does not achieve its strategic purpose. Additionally, if the measure fails to point out employees' performance problems, it is almost impossible for the employees to correct their performance.

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

**7. Practicality:** - Systems that is too expensive, time consuming, and convoluted will obviously not be effective.

**8. Meaningfulness:** - The system must be meaningful in several ways. First, the standards and evaluations conducted for each job function must be considered important and relevant. Second, performance assessment must emphasize only those functions that are under the control of the employee. Third, evaluations must take place at regular intervals and at appropriate moments. Fourth, the system should provide for the continuing skill development of evaluators. Finally, the results should be used for important administrative decisions.

**9. Inclusiveness:** - Good systems include input from multiple sources on an ongoing basis. First, the evaluation process must represent the concerns of all the people who will be affected by the outcome. Consequently, employees must participate in the process of creating the system by providing input regarding what behaviours or results will be measured and how. Second, input about employee performance should be gathered from the employees themselves before the appraisal meeting. In short, all participants must be given a voice in the process of designing and implementing the system.

**10. Openness:** - Good systems have no secrets. First, performance is evaluated frequently and performance feedback is provided on an ongoing basis. Therefore, employees are continually informed of the quality of their performance. Second, the appraisal meeting consists of a two - way communication process during which information is exchanged, not delivered from the supervisor to the employee without his or her input. Third, standards should be clear and communicated on an ongoing basis. Finally, communications are factual, open, and honest.

### **2.1.8 Challenges of Performance Management System** *(adapted from Ogutu Miruka 2014)*

The subject of performance management has attracted a lot of attention, mainly from academics. As indicated earlier, there is a view that an effective implementation of performance management requires best performance management implementation model and practice. However, other researchers contends that performance management models and best practices depend largely on the management, employees and all the role players unequivocally showing support and commitment for the implementation of successful Performance Management System. Developing and implementing new PMS is major organizational intervention and

change strategy. It requires adjustments in other management activities and practices, because the impact of these changes can be a cause for resistance to implement the system.

**1. Senior and Line Management Commitment** According to Pace (2011), most critical performance management implementation challenges are related to poor executive engagement and execution. It is utterly useless to have a well-developed PMS without commitment from the management team. If senior and line management do not show commitment to the implemented PMS, the employees will also not take it serious. Line managers need to show a real sense of ownership during implementation of PMS. Nel et al. (2001) suggest that in order to ensure effective implementation of PMS, this must be line driven rather than HR department driven. This is further supported by Armstrong & Baron (2005) who are of the opinion that performance management is owned and delivered by line managers. It is not a personnel technique run by the HR department as a result, if line management buy-in and commitment is not dealt with, performance management implementation is lost to fail.

**2. Lack of Knowledge and Skill** Watkins & Leigh (2012) argues that the weakness in a performance management system arise primarily because the PMS is poorly designed or training on the PMS has not transferred into the organization to support its implementation. Regular rather than a once off communication should be driven from the highest offices and supported by the communications department using every possible vehicle within the organization's communication infrastructure. Davis & Rogers (2006) argue that it is critical that the organization develop a pre-launch, launch, and post-launch communication plan. Communications should be constructed to build enthusiasm, understanding, and commitment by continually explaining the benefits of using the system to employees, to leaders, and to the organizations as a whole.

**3. Resistance of Change** As indicated above, implementing a PMS, which makes performance of everybody in the organization much more transparent, can cause resistance amongst organizational members. Various authors acknowledge resistance in any change initiative as a normal human behaviour that must be overcome for the PMS initiative to succeed. The most critical and frequently experienced challenge in the development, implementation and maintenance of PMS within organization is probably organizational culture (Markus, 2004). The traditional organizational culture is a significant obstacle to effective performance management.

Previous studies have revealed that when implementing PMS, there is typically some form of cultural or attitudinal resistance during the process of trying to achieve organization wide buy-in for the system.

Cultural challenges are typically the result of people's inherent resistance to change and employees may feel threatened by new system being implemented, or may have become paranoid as a result of the failure of previous system. Dealing with cultural challenges effectively necessitates buy-in from the very top management of the organization. An effective PMS actively involves employees throughout the performance cycle. Kotter (2007) asserts that continuous communication is very much important to reinforce the message so that there is no delusion as to what brought about the need for PMS. In any implementation of a process intended to change behaviour, like with PMS, it is crucial to develop both the confidence and the competence of all key role players around fulfilling their roles.

**4. Evaluating Performance** traditionally, performance evaluations are an annual or semi-annual event that at times can be seen by employees as routine and insignificant. Evaluating performance competencies is usually the most difficult part of performance management. Line managers are generally less comfortable discussing and giving feedback on behaviours, and because they are more subjective and less quantifiable than objectives, as a result managers tend to avoid this area (ref). Sunlin (2008) states that to evaluate performance in dimensions requires collecting performance data. The accuracy of the evaluation is dependent on the quality of the data gathered. Performance data is obtained through observations of behaviours or, less ideally, by inferring behaviours through knowledge of results. Another important element in successfully measuring dimensions is describing appropriate key actions/behaviours in the performance plan (ref). These not only set expectations, they are critical in helping classify behavioural examples into dimensions and then evaluating performance. According to Watkins & Leigh (2012), a behaviour based evaluation system reviews an employee's job activities and rewards an employee based on work effort.

**5. Keeping the system Active** Previous studies revealed that the greatest challenge for many organizations is keeping the performance management system viable after the first year or two. Sunlin (2008) refers to a 1995 survey where it indicated that 44% of 218 companies with performance management systems had changed systems in two years and that another 29% expected to do so. Other studies have shown that most organizations replace their system on

average every 3–4 years. It is important to periodically monitor the system, revise portions of it when necessary, and refresh people's interest in the system.

**6. Linking Job Description to Performance Management** Cooper (2008) states that the tasks and key result indicators (KRI) included in individual job descriptions must be congruent with the organization and unit's strategic plans. In other words, job descriptions should include activities that, if executed well, will help fulfill the mission and vision. Job descriptions detached from strategic priorities will lead to performance evaluations focused on behaviours and results that are not central to an organization's success. The managers need to ensure that the job descriptions and objectives are aligned with the organization's strategic objectives. Objectives should be based on the individual's job description and should be achievable, with expected outcomes, performance standards and time-scales linked to each objective. In setting objectives, it is important for the supervisor and the employee to understand key characteristics of objectives. The expectations clearly related to tasks in employee job descriptions and then measure them on a concurrent basis as a component of the PMS. Hence, having direct links between job descriptions and individual performance plans and appraisals is very critical. However, the most common challenge is keeping job descriptions up to date which most of the organization fail to do.

**8. The Implementation Require more Time and Effort than Expected** Implementation of a PMS takes a considerable period of time, after which the organization has to start learning the new system which also takes time. During this entire period, commitment and support from management is required otherwise the PMS can be seen as "flavour of the month" by organizational members.

## **2.2. Empirical Literature**

This part of the literature review focuses on empirical results obtained from similar research works conducted at different times in a different place and organization.

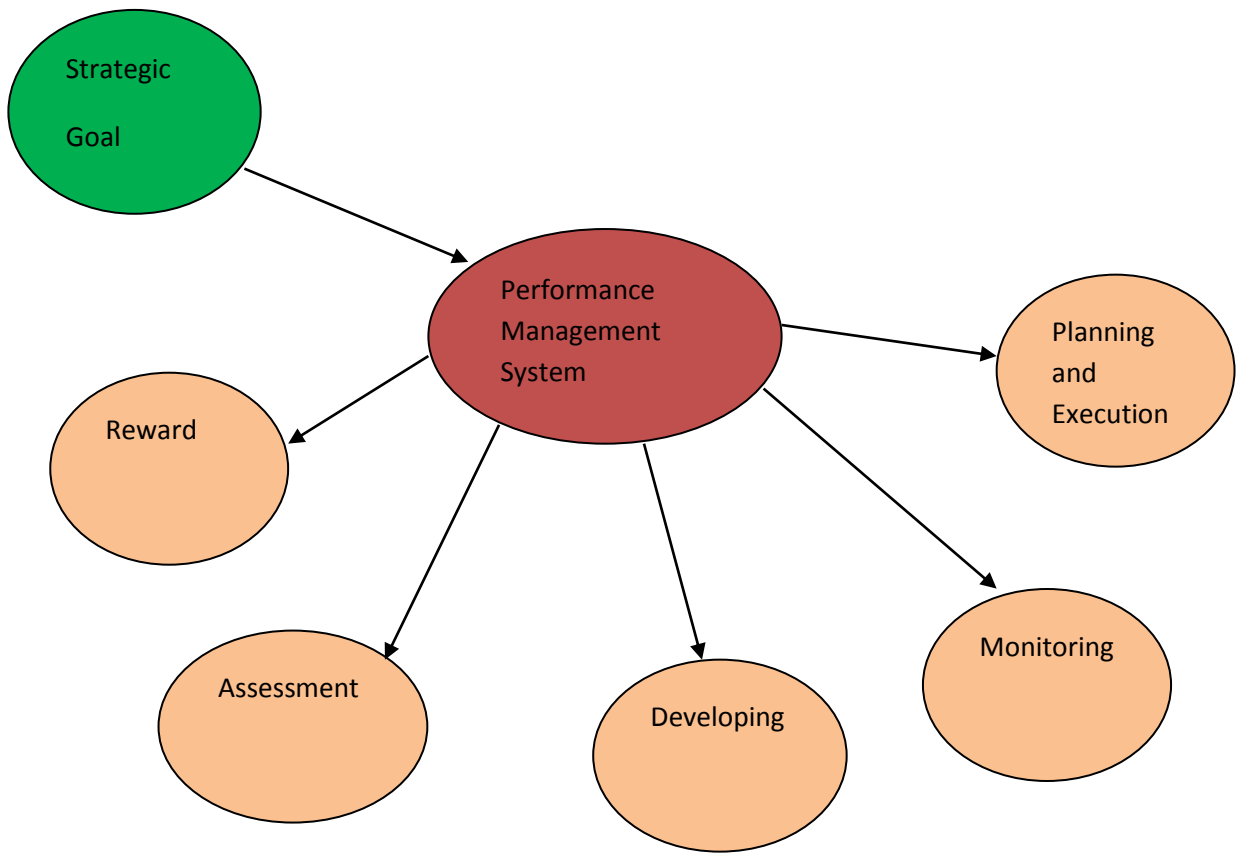
Waal & Coevert, (2007) quoted "performance management is an action, based on performance measures and reports, which results in improvements in behaviour, motivation and processes and promotes innovation". Performance Management has significant contribution to individual and organizational learning, it enhances organizational effectiveness and promotes growth (adhikari, 2010) as cited by Denisew (2014).

Kebre (2016) conducted study entitled assessment of performance management practices in Save the Children International Ethiopia country Office and concluded that employees are not relying and do not trust the PMS as development tool that supports them to excel in their professional lives. She also pointed out that employees are not guided enough by managers; they are not getting feedback on regular basis and are not monitored and coached adequately.

Janneta (2003) conducted a survey entitled assessing the implementation of performance management of Health Care Workers in Selected Districts of Uganda. The survey identified that performance planning and setting performance indicators are lacking and performance assessments are not conducted consistently in the study area. It is also mentioned that there are limited prospect for career development, employees were not provided with proper performance feedback and reward as a result of their performance. (Denisew, 2014)

### **2.3 Conceptual Framework**

This study was undertaken to assess practices and challenges of performance management system of AIC, head office. Performance management system is a process that focuses on continuous activities done to improve individuals' activity to bring successful achievement of organizational goals. PMS has the following activities to be done in order to make the system meet its purpose: planning & execution, monitoring, developing, assessment & review & rewards.



**Figure 2.3 Conceptual Framework**  
**Source: Own (based on reviewed literature)**



## CHAPTER THREE

### RESEARCH DESIGN & METHODOLOGY

*This chapter describes the research methods used in the study and reports the process of developing the instrument used for data collection, how sample size was calculated, the techniques used to analyze the data and ethical considerations. The strengths and limitations are also mentioned.*

#### 3.1 Research Design

Research design is a frame work for conducting a research. It's a basic plan that guides data collection and analysis phase of the research. It specifies the type of information collected, the sources of the data and the data collecting procedure. There are two approaches that can be applied by researchers: Qualitative and Quantitative approaches. Most researchers believe that the best method to use for a study depends on the purpose of the study and the accompanying research questions. To achieve the study objectives, both quantitative and qualitative descriptive research approaches were used. Since the objective of the study was to assess the actual practices & challenges of performance management system of AIC, descriptive survey was selected as an appropriate design. In addition the design was selected mainly due to the nature of the data collection technique that was used in the research process which was asking opinion in the qualitative part and standardized response in the quantitative side.

According to Cohen, Manion, & Morrison (2005), descriptive research design is used to collect numerical data from large population. Descriptive research method allows using various forms of data and by incorporating human experience it enabled the researcher to look into various aspects of the study question to provide bigger overview of the subject matter. It also gives a room to use both quantitative and qualitative data in order to find solution to the specific study that in turn can help to describe and give answer to certain life experiences.

#### 3.2 Source of Data

To achieve the objectives of the study, the researcher planned to collect two data sources; secondary and primary sources. The primary data for this study were collected from employees of AIC using questionnaires focusing on practices and challenges of PMS. To complement the

primary data secondary data from relevant company documents were gathered and reviewed. Two different sets of questioners were administered to management and non-management staff of AIC.

### **3.3 Data Collection Instruments**

Both close & open ended questionnaire were developed & utilized because questionnaire responses are gathered in a standardized way. This type of instrument has the advantage of simplicity in administration, tabulation, and analysis. This would provide respondent freedom to fill the questionnaire with proper understanding at their own disposal without the researcher's influence. The disadvantage for this method is lack of flexibility in changing questions and giving explanation on spot.

The questionnaires were developed based on standard questions which were prepared in Likert scale and have five scales: strongly dissatisfied, dissatisfied, Neutral, satisfied and strongly satisfied for close ended questionnaires. The Likert's scale was selected because of its symmetrical nature that can avoid bias and continuity of response of questions was maintained. In a similar manner open ended questionnaires were also used to gather the necessary data so that the researcher can able to capture additional idea of the employee regarding the subject matter under study.

### **3.4 Validity & Reliability of Data**

#### **3.4.1 Validity**

Validity is the extent to which differences found among respondents using a measuring tool reflect true differences among respondents. As stated by (Miller and Whicker, 1999), content validity is the measure that is being taken a subset of a larger group of measurement that represents the focus of the study. Similarly, face validity is based entirely upon logic, common sense and subjective judgment. The validity of the questionnaire was checked before distribution to the respondents through the comment of expertise & researcher advisor. Then validity was verified in terms of the items capture the entire scope and arrived at the agreement that the measure represents focus of the study.

### 3.4.2 Reliability

A reliable measure is one that consistently generates the same result over repeated measures internal consistency. Measuring reliability using an internal consistency approach usually involves the use of different samples of respondents to determine reliability of measures and the typical way to assess internal consistency would be to use a split-half technique or to use a statistical test such as Cronbach's alpha for internally scaled data (SPSS16 users guide manual).

In the study Cronbach's alpha test was used since the measure will indicate how well each individual item statement correlates with other items in the instrument. A low correlation means the item statement should be removed from the instrument. Alpha should be positive and usually greater than 0.70 in order to provide good support for internal consistency reliability (George et. Al, 2004). Thus, as per the analysis made through using SPSS software and presented in the table below, the reliability statistics test for all variables, alpha ranged from 0.774 to 0.858 indicating that the measurements used are reliable.

**Table 3.6.2.1 Alpha value on major variables**

Subscale	No of Items	Alpha
Purpose of Performance Management System	5	0.855
Performance Planning	6	0.767
Performance Monitoring	4	0.812
Performance Developing	4	0.858
Performance Assessment & Review	5	0.774
Reward	4	0.75

*Source Survey 2016*

### 3.5 Population of the Study, Sampling Technique & Sample Size

The target population for this study is employees of Awash Insurance Company- Finfine Main Branch (head office) which is found in Addis Ababa, Ethiopia. The total employees of the

branch were 160 out of which 9 are department managers, 6 are contractual basis employees and 15 are general service employees. So the target population was 130.

The sample size was calculated by using Yamane table (1967) with target population of 130 employees and precision level of 5% as shown below.

$$n = \frac{N}{1+N(e)^2} = \frac{130}{1+130(0.05)^2} = 98$$

Where:

n- Sample size

N- Number of target population

e- Precision level

Based on the above formula a sample size of 98 employees was obtained. Simple random sampling technique was used to give each employee an equal and known chance of being selected as part of the sample. For the interview questionnaire 4 management staff from different units and 2 staff from HR were selected using purposive sampling.

### **3.6 Data Analysis**

Data analysis consists of examining, categorizing, tabulating, and testing the data. The numerical data were analyzed using Microsoft Excel and SPSS software version 20 and were presented using descriptive tables. The summary of qualitative information collected through open ended questionnaire was also included to strengthen the study. Relevant company documents were also used in analyzing the data.

### **3.7 Ethical Considerations**

In order to keep the confidentiality of the data given by respondents, the respondents were not required to write their name and assured that their responses will be treated in strict confidentiality. The purpose of the study and a reasonably expected possible benefit to the respondents and Awash Insurance Company was disclosed in the introductory part of the questionnaire. Furthermore, the researcher tried to avoid misleading or deceptive statements to be incorporated in the study.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

*In this chapter of the research, the collected data from the respondents with regard to Practices and Challenges of Performance Management System in line with purpose of performance management system, planning, monitoring, developing, assessment and reward and challenges were organized, analyzed and interpreted using different statistical analytical methods and data presentation techniques.*

Respondents in this research were employee of Awash Insurance Company, head office. Eighty three questionnaire papers were returned out of the total 98 distributed to non-management staff of AIC and 4 interview questionnaire paper was returned out of the total 6 interview questionnaire papers distributed to management staff of AIC which resulted in a response rate of 84.7%. From the returned questionnaires 3 questionnaire were not properly filled and discarded during data analysis. The rest 80 responses which were properly filled and returned were analyzed as follows.

This chapter is organized in to two sections. The first section presents the general information and profile about respondents. And the second section presents major findings from the analysis along with the discussion.

#### **4.1 Demographic Characteristics of Respondents**

In this section, the analysis is done to show some demographic characteristics such as age, gender, level of educational and years of work experience of respondents who were participated in the research. Table below contains the demographic statistics of the respondents; it is summarized by using cross-tabulation with simple descriptive statistics like frequency.

**Table 4.1 Demographic Distribution of the Respondents**

<b>Demographic characteristics</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Gender Status</b>		
Male	41	51.2
Female	39	48.8
<b>Total</b>	80	100
<b>Age Status</b>		
Less than 25	20	25.0
26-30	45	56.3
31-35	10	12.5
36-40	4	5.0
Greater than 41	1	1.2
<b>Total</b>	80	100
<b>Educational Status</b>		
Certificate	5	6.2
Diploma	11	13.8
BA/BSC degree	63	78.8
Master's degree	1	1.2
PHD	0	0
<b>Total</b>	80	100
<b>Year of Service in AIC</b>		
Less than 5 years	50	62.6
6 to 10 years	23	28.7
11 to 15 years	5	6.2
16 to 20 years	2	2.5
21 to 25 years	0	0
<b>Total</b>	80	100

*Source: Survey, 2016*

Out of the total respondents 41(51.67%) of them were male and the remaining 39(48.33%) female indicating comparable proportions of male & female participants. More than half, 45(56.3%) of the respondents were in the age group of 26-30 years and only 6.2 % were older than 35 years. Following this it can be inferred that the employees of AIC head office are younger and gender balanced.

More than third quarter of the respondents 63(78.8%), are bachelor degree holders and only 1(1.2%) has Master Degree. The remaining is either diploma or certificate graduates. Nearly two third 50(62.6%) of respondents have service less than five years in AIC, the second largest group of respondents have 6 to 10 years of service with 23(28.7%) and 7(8.7%) of the respondents served for greater than 10 years.

The fact that the respondents have different levels of education is an opportunity for the company to utilize the potentials of the employees efficiently & effectively to excel the delivery of service expected and help to utilize the resources in other areas as needed. But the fact that the majority of the respondents have work experience less than 5 years indicate the existence of junior staff and poor retention of senior staff.

## **4.2 Data Analysis & Discussion**

In this part employees are provided with 29 questions which were categorized in to six main sections namely; Purpose of Performance Management System, Performance Planning, Performance Monitoring, Performance Developing, Performance Assessment & Review and Rewards.

Five point Likert scale was used to measure the responses with 1= strongly disagree; 2= Disagree; 3= neither agree nor disagree, 4= Agree and 5= strongly agree.

### **4.2.1 Purpose of Performance Management System**

When a company implement Performance management system, it is in the assumption that the system help the employee improve their performance from time to time and the improvement of performance help company achieve the purpose of its existence. The assessment result of respondents' opinion on the purpose of PMS is shown below.

**Table 4.2.1 Employees Opinion on Purpose of PMS**

No	Statement	SD		D		NAD		A		SA		Mean	STD
		F	%	F	%	F	%	F	%	F	%		
1	I know vision, mission & value statement of AIC in which my daily activity support the achievement of the same.	6	7.5	19	23.8	7	8.8	29	36.2	19	23.8	3.45	1.292
2	AIC's PMS used as a means of communication & promotes high performance.	6	7.5	19	23.8	7	8.8	29	36.2	19	23.8	3.05	1.078
3	PMS implemented by AIC contribute for continues employees performance improvement.	10	12.5	22	27.5	22	27.5	21	26.2	5	6.2	2.86	1.133
4	PMS of AIC is supporting the overall competitiveness of the company.	2	2.5	19	23.8	25	31.2	27	33.8	7	8.8	3.23	0.993
5	The introduction of PMS changes the way I do my job hence, it creates simplicity.	2	2.5	18	22.5	31	38.8	20	25	9	11.2	3.20	0.999

*SD= Strongly Disagree, D= Disagree, NDA= Neither Agree or Disagree, A= Agree, SA= Strongly Agree*

*Source: Survey, 2016*

In this section the overall purpose of performance management system of AIC was evaluated, the first question raised was if the staff members had known about vision, mission & value statement of AIC in which the activity of each individual supports the overall achievement of the higher value of the company and PMS in AIC used as a means of communication, the response found shows that 23.8% and 36.2% agree and strongly agree respectively and 8.8% remain neutral for both items but the mean score is 3.45 and 3.05 showed that respondents positive agreement for the first and slightly less positive agreement for the second issue. For the third question raised 40% negative and 32.4% positive response found and the mean score of 2.86 showed that the PMS in AIC do not contribute for continues employees performance improvement. For the fourth 42% positive and 26.3% negative response found indicating that PMS in AIC supports the overall competitiveness of the company and the mean score of 3.23 approve the same positive issue.



It is known that performance management helps employee play their best ability by delivering their activities which are derived directly from the strategic objective of the organization, they should be well informed where the organization aspires to go & to follow the same. From the above table we can see that even though majority of the respondents know vision, mission, value statements and PMS in AIC used as a means of communication, large number of respondents do not think that PMS implemented in AIC do not contribute for their continuous performance improvement. As a principle PMS should improve the performance of employees through time and the same should be confirmed by employees but the response found from respondents' shows that more than half of the employees didn't recognize the benefit of PMS in AIC. While on the other hand, the interview conducted with the management staff of AIC regarding whether employees were communicated about PMS reveals that employee of AIC at head quarter are all communicated about PMS. So this might be as a result of lack of commitment from the company towards employees indicating that the issue needs to be solved as fast as possible so that all employees in the head quarter can be able to understand and say same thing about performance management.

#### **4.2.2 Performance Planning**

Performance planning is the first and basic stage in performance management system where the supervisor and the employee meet together to discuss and agree on what will be done for the future and how it should be done in terms of time, quality & quantity and performance execution is getting the job done by meeting activities and actions mentioned in planning to achieve the objectives. The involvement of staff in goal setting is important because it plays a role in making the employees more involved and it increase employees dedication for the achievement of goals.

**Table 4.2.2 Employees Reflection on Performance Planning**

No	Statement	SD		D		NAD		A		SA		Mean	STD
		F	%	F	%	F	%	F	%	F	%		
1	My individual job goal is aligned with and supports to achieve the strategic objective of the business process/work unit as well as the company.	3	3.8	25	31.2	10	12.5	28	35	14	17.5	3.31	1.197
2	I do activities as given to me by my supervisor; no standard time is set for the activities.	1	1.2	5	6.2	9	11.2	42	52.5	23	28.7	4.01	0.879
3	I am clear about what my job responsibilities are and what is expected from me.	8	10	17	21.2	6	7.5	22	27.5	27	33.8	3.54	1.405
4	In AIC goal setting is carried out with the discussion between the employee and the supervisor.	10	12.5	23	28.7	19	23.8	14	17.5	14	17.5	2.99	1.297
5	While setting a goal my supervisor clearly tell me the expectation he/she has from my performance.	18	22.5	14	17.5	20	25	20	25	8	10	2.83	1.31
6	AIC provides me sufficient resources to execute my job properly.	2	2.5	14	17.5	24	30	29	36.2	11	13.8	3.41	1.015

*SD= Strongly Disagree, D= Disagree, NDA= Neither Agree or Disagree, A= Agree, SA= Strongly Agree*

*Source: Survey, 2016*

The first question raised was if whether individual goal is aligned with work unit and within the company in general, where alignment of goals, means that key activities related to specific sections are cascaded from company strategy through chain of management and the same reaches to individual employee. The response found was 35% disagrees, 12.5% neutral & 52.5% agrees. The mean score of 3.31 shows positive agreement. The second question raised was if whether the assignment given to employee of AIC was given with no specific time (hrs. or days) to finalize or are jobs done randomly as given by the supervisor? The question was raised in search for if the given assignments have a standard time set (hours or days) associated with them to

finalize and deliver; the response given was 63.3% of the respondents' agree with the statement. The mean score of 4.01 approve the employees' positive agreement which is no standard time set.

Alignment of individual goals with that of the company is an issue which should be encouraged to continue but each activity to be done by employees need to have a separate time to be finalized according to their complexity and nature. If there is no time assigned for a specific activity it becomes difficult to measure the same objectively.

The third question raised was, if employees are clear about their job responsibility and expected output from them. The response found was 61.3% and 21.2% positive and negative response respectively. The mean score of 3.54 confirms the same positive agreement. The fourth question raised was, if goal setting in AIC is undertaken through discussion between the staff and the supervisor; the response found was 41.26% disagreed which means that the goal was set only by the supervisor/manager, whereas 23.8% remain neutral meaning that they don't clearly know how the goal setting process was undertaken at AIC while 35% of the respondents' agreed with the statement. The mean score of 2.99 proves disagreement of employees.

Involving employees in goal setting creates understanding, owning goal and at the same time it motivates employees for the accomplishment of the same, hence AIC should review the process and create a means to involve employees in goal setting. In confirmation to the above finding the response found from management staff of AIC prove that performance planning (goal setting) is done between manager, supervisor and HR without employees' involvement.

#### **4.2.3 Performance Monitoring**

Monitoring in Performance Management is the stage where the supervisor consistently follows how the employee is performing his/her activity against the target and giving continuous feedback for improvement.

**Table 4.2.3 Employees View on Performance Monitoring**

No	Statement	SD		D		NAD		A		SA		Mean	STD
		F	%	F	%	F	%	F	%	F	%		
1	I have received feedback regularly about my performance from my supervisor.	3	3.8	32	40	12	15	25	31.2	8	10	3.04	1.13
2	I always get support from my supervisor while I face challenges in performing my day to day activities	2	2.5	16	20	22	27.5	33	41.2	7	8.8	3.34	0.98
3	My supervisor/manager gives me feedback about my activity on the spot of action.	5	6.2	23	28.7	16	20	28	35	8	10	3.14	1.133
4	There is a midterm review between my supervisor and me regarding my performance in the past months	8	10	29	36.2	15	18.8	18	22.5	10	12.5	2.91	1.224

*SD= Strongly Disagree, D= Disagree, NDA= Neither Agree or Disagree, A= Agree, SA= Strongly Agree*

*Source: Survey, 2016*

One of the issues raised was related to if regular feedback was given to the employee by their supervisor or not. The response found showed that 41.2% of the respondents said that they get a regular feedback from their supervisor, whereas 43.8% of the respondents indicated that they do not get regular feedback while 15% of the respondents stayed neutral. The mean score of 3.04 confirms that feedback is not given regularly as expected. The other issue raised was related with if support is given by supervisor up on facing problems and the response found showed that 22.5% and 50% negative and positive response respectively. The mean score of 3.34 indicates respondents' agreement issue.

For the third question raised if feedback was given by the supervisor/manager on the spot or not and the response found was 45% and 34.9% positive and negative respectively while 20% of the respondents' remain neutral. The mean score of 3.14 confirmed positive agreement issue. The last question raised in relation to monitoring stage of performance management system was whether if there was midterm performance review with regard to actual performance in the past

activity period against the target by the supervisor and recommended correction were done or not and the response found was 35% and 46.2% agree and disagree respectively while 18.8% of the respondents' remain neutral. The mean score of 2.91 implied disagreement with midterm performance review.

Giving feedback to employees is an important part of PM by which an employee can improve from time to time by correcting mistakes and solving problems based on the feedback given by his/her supervisor. In addition performance review is needed before undertaking the formal performance appraisal in order to solve problems or making adjustments as needed. So this issue needs to be improved since feedback could have saved the companies' resource and protects the employee from doing the same mistake again in the future and also it can serve as a motivation means since the discussion creates positive working culture.

#### **4.2.4 Performance Developing**

Performance developing is the stage where consideration is taken about employee performance and training and or other capacity building is given to the employee based on the identified gap which help the employee to perform more by utilizing the time efficiently, effectively and handling other complicated assignment which creates an opportunity to the employee to cope with the working environment and handle activities as the need may raise.

**Table 4.2.4 Employees Opinion on Performance Developing**

No	Statement	SD		D		NAD		A		SA		Mean	STD
		F	%	F	%	F	%	F	%	F	%		
1	Trainings are given to me regularly based on the job requirement.	20	25	31	38.8	10	12.5	17	21.2	1	1.2	2.34	1.12
2	Awareness is created about AIC product or businesses regularly to accommodate new development or system enhancement.	3	3.8	31	38.8	20	25	21	26.2	4	5	2.9	1.008
3	PMS in AIC is used in providing training and development upon identification of performance gap.	14	17.5	27	33.8	19	23.8	15	18.8	4	5	2.59	1.138
4	Different activities are given to me which is done by my seniors to enhance my skills.	3	3.8	15	18.8	32	40	24	30	6	7.5	3.19	0.956

*SD= Strongly Disagree, D= Disagree, NDA= Neither Agree or Disagree, A= Agree, SA= Strongly Agree*

*Source: Survey, 2016*

The first question raised was if training was given to employees based on the job requirements or not and the response given was that 63.8% and 22.4% disagree and agree respectively while 12.5% of them remain neutral. The mean score of 2.34 implies disagreement of employees on availability of trainings. The second question raised was if awareness is created about AIC business or products regularly by accommodating new products and if system enhancements are made accordingly and the response found is that 42.6% and 31.2% disagree and agree respectively whereas 25% of the respondents' remain neutral. The mean score of 2.9 implies disagreement issues. The third question was relates with if whether AIC provides training and development or not to employees upon identification of performance gap. The response found was 23.8% positive, 51.3% negative and 23.8% neutral. The mean score of 2.59 implies employees' disagreement on the issue.

Before employees are assigned to specific area to do the job, formal or informal training should be given in order to perform the job as needed and solves problem related to safety and security. In addition providing training to employees upon identification of performance gap should be

one of the responsibilities of the supervisor. It is through training that the skills improved from time to time & it is the way to learn new thing and share the same with other employees

#### 4.2.5 Performance Assessment & Review

Performance assessment is the stage which is undertaken by the interaction of employee and supervisor for evaluating the extent to which the desired behavior and results are met during the specific period of performance review. Performance appraisal should have a purpose for its existence in any organization and should support the organization in its human resource enhancement and all internal and external stakeholders should support the same.

**Table 4.2.5 Employees Reflection on Performance Assessment & Review**

No	Statement	SD		D		NAD		A		SA		Mean	STD
		F	%	F	%	F	%	F	%	F	%		
1	I have given a chance to assess my performance (self-appraisal) based on the agreed plan.	12	15	33	41.2	18	22.5	14	17.5	3	3.8	2.54	1.067
2	When my supervisor assesses my performance he/she is biased by different reasons.	7	8.8	15	18.8	17	21.2	33	41.2	8	10	3.25	1.142
3	After assessment I always met with my supervisor to review my performance.	2	2.5	35	43.8	17	21.2	20	25	6	7.5	2.91	1.046
4	The discussion I had with my supervisor focused on the contribution I made, the capability I have and on my continuous development.	5	6.2	32	40	15	18.8	25	31.2	3	3.8	2.87	1.052
5	In my opinion the objective of performance review in AIC is to motivate employees, to encourage development and to serve as a two way communication about the roles and expectations.	4	5	24	30	20	25	25	31.2	7	8.8	3.09	1.081

*SD= Strongly Disagree, D= Disagree, NDA= Neither Agree or Disagree, A= Agree, SA= Strongly Agree*

*Source: Survey, 2016*

The first question raised was if chances are given to employees to assess their performance based on the agreed plan before assessment is done by the supervisor consequently the response given was that 21.3% agree, 56.2% disagree and 22.5% neutral. The mean score of 2.54 implies the disagreement of employees on the issue. The second question raised was if the supervisors are biased by different things at the time of performance evaluation and the response given was that 51.2% agree, 27.6% disagree and 21.2% neutral. The mean score of 3.25 implies positive agreement with the issue. The third question raised was if employees met with their supervisors after assessment for discussion and the response found was 46.3% disagree, 32.5% agreed and the remaining 21.2% neutral. The mean score of 2.91 implied disagreement with the statement. The fourth question raised was if respondents' believed that the objective of performance review in AIC serve to motivate employees, encourage, develop and to serve as a two way communication about the roles and expectations; the response found was that 46.2% disagreed, 35% agreed and 18.8% neutral. The mean score of 2.87 shows employees disagreement with the issue.

Based on the above analysis employees do not given a chance to assess their performance before the supervisor does but giving a chance for employees to review their performance given them the opportunity to see where they stand; the result of no objective target setting leads to biasness at the time assessment and it creates confusion and disagreement between employees. Arranging a discussion session with employees after assessment is a time when supervisor & employee met to discuss about how the past performance was undertaken and a time to plan for the future, missing this step leads to discouragement to employee.

Similarly the same question was forwarded to management staff of AIC; how frequently & problem faced in relation to performance assessment and the response found was that the assessment is done twice a year and there are observed issues with subjectivity, lenience, focus on short term results, generalization problem, lack of continuous assessment and there is lack of creating understanding.



#### 4.2.6 Performance Reward

Rewarding is the stage where formal recognition is given for outstanding performance of an employee for her/his support and contribution to the achievement of organizational goal.

**Table 4.2.6 Employees Opinion on Rewards**

No	Statement	SD		D		NAD		A		SA		Mean	STD
		F	%	F	%	F	%	F	%	F	%		
1	Based on my performance result I got promotion, salary increment & different benefits.	13	16.2	34	42.5	11	13.8	17	21.2	5	6.2	2.59	1.177
2	There is no differentiation because of performance result & bonus & other benefits are given for all employees of the company	9	11.2	18	22.5	14	17.5	18	22.5	21	26.2	3.3	1.372
3	My supervisor recognizes my achievement in every opportunity he/she gets.	11	13.8	30	37.5	17	21.2	17	21.2	5	6.2	2.69	1.143
4	I got recognition as a team player & contribution for the successful accomplishment of team assignment.	9	11.2	32	40	27	33.8	8	10	4	5	2.58	0.991

*SD= Strongly Disagree, D= Disagree, NDA= Neither Agree or Disagree, A= Agree, SA= Strongly Agree*

*Source: Survey, 2016*

The first question raised was if promotion, salary increment and different benefits are given to employee based on their performance result; the response found was 58.7% disagreed, 27.4% agree while 13.8% of the respondents' neutral. The mean score of 2.59 implies disagreement of employees. The next question was if bonus and other benefits are given to all employees of AIC and there is no differentiation based on performance result. The response found was that 33.7% disagreed, 48.7% agreed and 17.5% neutral. The mean score of 3.3 indicate positively agree on the issue. Inferring that performance result of employees is not attached (used as an input) to different kinds of benefits and no differentiation is applied because of performance result of

employees. Such culture in organization will not motivate employee to maximize their effort since there are no differentiation based on the actual performance shown and such practice will not motivate employees to excel.

The forth question raised in relation to reward which is if staff get recognition for achievements made as a group and the result found was that 51.2% disagreed, while 15% agrees and the remaining 33.8% of the respondents are neutral. Majority of the employee's indicated that no recognition is given as a result such trend in organization affected the team work negatively and assignments handled by teams.

#### **4.3 Challenges of Implementation of PMS at AIC**

In this part, by an open ended question respondents' were asked to mention items that they think is a challenge for implementation of Performance Management System in AIC and a variety of responses were obtained. From employees of AIC point of view they don't believe that the performance measurement points are not clear and measurable, moreover the employees indicated that there is a lack of continuous evaluation process where there is no discussion between employee & managers and training selection system is not related to working area which lacks transparency. While other employees expressed that there is no clear definition about their job description plus it is not clear to them on what PM measurement is based on, and evaluation at AIC are biased, because supervisors tend to favor those employee with whom they have strong relations. Some employees even boldly indicated that they rather consider as if there is no PMS in AIC since, they have never received a training that related to performance improvement.

On the other hand, management staff of AIC pinpoint out the following challenges that they are faced related to performance management:

- Employee turnover.
- It is unthinkable to keep track of employees' performance on daily bases considering the number of employees to manage and work load.
- The performance management parameters are generic as a result it is impractical to be applicable to all.

- Performance Management is interpreted in a negative way and deviated from its fundamental goal in the company.
- Absence of coaching and development after performance assessment result.
- Mostly PMS doesn't go as planned due to some external factors that hinder to achieve the goal.

As a result it is advisable that AIC should reassess the PMS in all aspects to amend the persisting procedure that lacks currently to cover link between PMS and job description, management of poor performance, coaching, overall performance management process between employees and management that directly associated with salary, position or bonus that satisfies employees. Furthermore the current performance evaluation criteria's are generic and are not specific to a particular job as a result evaluators are forced to be subjective since all employees of AIC are measured in the same parameters, which lacks to measure the actual performance of employees and where regular feedback is absent mostly.

## CHAPTER FIVE

### FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

*The aim of this chapter is to present a summary of major findings and to draw conclusions based on findings. Additionally, the implications of the study to the company understudy related to the practice of PMS will be addressed along with possible future directions and the existing limitations have been presented.*

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

A summary of data analyzed in the previous chapter with regard to the Practices and Challenge of the Performance Management System in Awash Insurance Company is summarized and presented as follows.

Form the findings it can be inferred that the majority of the employees knows the company's vision, mission and value statements furthermore it can be said that AIC's PMS used as a means of communication and support the overall competitiveness of the company and most employees jobs are aligned to their section and the company objective as a whole. But in contrast to this around half of the employees mentioned that PMS in AIC didn't contribute for their continuous development. If handled properly, the former helps the company positively in implementation of PMS but the latter needs awareness creation & further work.

Even if more than half of the respondents of the employees agree that their job goal is aligned with that of AIC and they are clear about their job responsibilities, majority (81.2%) of the respondents claim that there is no standard time for their activity & they do activities as given by their supervisor. Such trend creates subjectivity at the time of evaluation.

On the other hand, around half (41.2%) of the respondents mentioned that goal setting is not undertaking by the discussion between the supervisors and the employees and also 40% of the respondents confirmed that their supervisor didn't clearly advised them what is expected from them to be delivered which used as input at the time of evaluation. This creates confusion at the time doing daily activity and at the time of assessment.

Even though almost half (43.8%) of the respondents mentioned that they did not receive feedback regularly, they get support from their supervisor whenever they face challenges on day to day activity. In addition 46.2% of the respondents said that there is no midterm performance review about their past performance for correction in the coming periods. This indicates that no regular feedback and midterm performance review.

Majority (64%) of the respondents stated that no regular training was given to employees based on the job requirements. In addition majority (51.3%) of the respondents indicate that PMS in AIC did not used as a means in providing training and development upon identification of performance gap. This indicates that PMS didn't provide full benefit of its implementation.

Majority (56.2%) of the respondents reply that they never have given a chance to assess their performance before it was done by their supervisor and their supervisors were biased during performance evaluation process. In addition majority of the respondents reply that after assessment there was no formal discussion with their supervisor with regard to what they have done and regarding the room for future continuous development.

More than half (58.7%) of the respondents claim that they didn't get promotion, salary increments and different benefits based on performance result and 48.7% of the respondents confirmed that there is no differentiation because of performance results in giving different benefit by AIC. This implies that no proper record is kept and differentiation is not done by AIC.

The major challenges faced by AIC with regard to Performance Management System were:

- Performance measure points (units) are not as such clear and measurable
- Lack of continuous evaluation and lack of open discussion(Transparency)
- Most evaluation is biased and the training that needs to improve the performance management system is not given properly.
- There is no link between PMS & job description, how to manage poor performance, how the manager evaluate his employees by giving different activities & based on that increasing salary, position or bonus and satisfy the employee
- The performance evaluation is general and generic; not specific to a particular job, the rate of subjectivity is higher since everyone measured in the same parameters,

there is leniency of measuring performance and less attention is given to real output or contribution of individuals, no recognition of efforts of employees, feedback is not given regularly.

- Employee turnover, no coaching and continuous development after assessment.
- No recording keeping mechanism is available with regard to employees daily performance.
- Keeping agenda items for every day employee performance which creates problem at the time of evaluation.

## **5.2 Conclusions**

The researcher assessed and evaluated the practices & challenges of performance management system of Awash Insurance Company in order to indicate the gaps and gives recommendations to fill the gaps. Performance management is a continuous process by which a manager can use it to get the job done through continuously teaching & developing the staff by setting up a shared understanding of what is to be achieved at an organizational level. The major focus area of performance management is continuous improvement through learning and development in order to achieve the overall business strategy of the organization.

Performance management requires the identification of specific activities to be performed which is derived from the company strategy & responsibilities(accountabilities); define competencies needed for a given position; ensuring that a team members have all the needed skill, knowledge, the right attitude; availing the system(resources) and environment to accomplish a given task; giving a timely & appropriate feedback to employees on time, furthermore the company should improve, reward & motivate best performing employees in recognizing their effort and accomplishment of a given task and company goals.

The following conclusions are drawn based on the results and summary of findings:

- Majority of employees knows their company vision, mission and value statement.
- Employees' jobs are aligned with that of the company.
- Employees did not believe that PMS of AIC contributes for their continuous development.

- Daily activity to be performed by the staff is not clear & specific to the given position and at the same time standard time is not set to finalize the activity.
- Employees are not actively participating in performance planning (goal setting) and training is not given to the staff as needed.
- Employees are not given a chance to assess their own performance and to have an open discussion with their supervisor which may help them to evaluate themselves where they were, where they are and where they want to be moreover it was also mentioned that supervisors are biased at the time of evaluation because objective targets are not set properly.
- The company did not use the result of performance evaluation as an input to give different benefits for employees such as salary increment, promotion, bonus & non-financial benefits based on the performance result.
- Management staff did not receive any training that assist them to perform planning, monitoring, developing, assessment and reward stage of Performance management System.
- Coaching and continuous development plan is not implemented after assessment.

### **5.3 Recommendations**

Based on the summary of findings and conclusion drawn, the following recommendations are made to improve the current Practices and overcome the challenges of Performance Management System at AIC.

- AIC should create awareness by organizing trainings or other means of communication for active participation of employees in PMS in order to get the benefit of the system & show how it contribute for continuous performance improvement & successful achievement of company objectives.
- It is advisable if AIC involve employees in performance planning; supervisors & staff sit together to set activities to be done which is cascaded(derived) from the activity of the manager(supervisor) related to the staffs position. In addition it is good to include individual development plan.

- AIC should set SMART goal SMART (specific, Measurable, Attainable, Realistic & Time bound).
- It is advisable if supervisors in AIC clearly advises staff what he/she expects from them to be delivered within the given time frame, which is utilized as input at the time of assessment. This will help employees know what is expected from them & deliver or exceeds the target.
- AIC formal performance assessment is done twice a year but there is a need to review how employee is performing before formal assessment is undertaken & give feedback as needed by which the company can save its resources by correcting the employee by putting him/her on the right track and also beneficial for employee as they get motivated because of regular feedback given to them regularly.
- Trainings should be given to management staff of AIC on how to perform planning, monitoring, developing, assessment and reward of Performance management System.
- AIC should create electronic employee data capturing system like employee diary to record employee daily performance as needed.
- Up on identification of performance gap, training should be given to the staff as needed to improve their performance; AIC should facilitate the same.
- Continuous coaching and development should be part of PMS implemented in AIC, the company needed to review the process & accommodate the same.

In general based on the above research paper; it is suggested that the company (AIC) or other interested party can make detail study further.



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[www.elsevier.com/locate/humres](http://www.elsevier.com/locate/humres): [Human Resource Management Review 21 \(2011\) 123–136](#); Performance management and employee engagement

## Appendix

### Appendix I–Questionnaire filled by non-management staff of AIC

St. Mary’s University  
School of Graduate Studies

#### MBA Thesis on “Practices & Challenges of Employee Performance Management System at Awash Insurance Company”

#### Questionnaire to be filled by non-management staff of AIC

Dear respondents,

The main purpose of this questionnaire is to collect data from employees of Awash Insurance Company as an input for final thesis on the title “Practices & Challenges of Employee Performance Management System at Awash Insurance Company”. You are kindly and humbly requested to take few moments of your busy schedule and genuinely fill this questionnaire. The information you give will be used only for academic purpose and will be kept confidential.

Thank you in advance for your cooperation and support!

If you need clarification in the below questions, please give me a call at 0911-67-31-18

Writing your name is not necessary.

**Student Name Aemro Beyene**

#### Part One: Respondent Profile

**Instruction:** Please put tick mark “√”

1. Gender  Male  Female
2. In which age group do you fall?  
 Below 25  25 – 30  31 – 35  36-40  above 45
3. What is your highest educational level?

Certificate    Diploma    BA Degree    Master's Degree    PHD

4. How long did you work in Awash Insurance Company?

Less than 5 years    6 -10 years    11-15 years    16 -20 years

21 – 25 year's    above 25 years

## Part Two: Opinion Survey on Practices & Challenges of Performance Management

**Instructions:** Please indicate the level of agreement on the statements below by putting tick mark (√).

Abbreviations used: **AIC** Awash Insurance Company

**PMS** Performance Management System

### 2.1 Purpose of Performance Management System

S. No	Statement	Strongly disagree(1)	Disagree(2)	Neutral(3)	Agree(4)	Strongly agree (5)
1	I know vision, mission & value statement of AIC in which my daily activity support the achievement of the same.					
2	AIC's PMS used as a means of communication & promotes high performance.					
3	PMS implemented by AIC contribute for continues employees performance improvement.					
4	PMS of AIC is supporting the overall competitiveness of the company.					
5	The introduction of PMS changes the way I do my job hence, it creates simplicity.					

## 2.2 Performance Planning & Execution

**Notice:** Performance Planning is a stage where the supervisor and the employee meet together to discuss and agree on what will be done for the future and how it should be done in terms of time, quality & quantity and Performance Execution is getting the job done by meeting activities & actions mentioned in planning to achieve the objectives. Therefore having this in mind please rate your level of agreement or disagreement for the following questions:

S. No	Statement	Strongly disagree (1)	Disagree(2)	Neutral(3)	Agree(4)	Strongly agree (5)
1	My individual job goal is aligned with and supports to achieve the strategic objective of the business process/work unit as well as the company.					
2	I do activities as given to me by my supervisor; no standard time is set for the activities.					
3	I am clear about what my job responsibilities are and what is expected from me.					
4	In AIC goal setting is carried out with the discussion between the employee and the supervisor.					
5	While setting a goal my supervisor clearly tell me the expectation he/she has from my performance.					
6	AIC provides me sufficient resources to execute my job properly.					

### 2.3 Performance Monitoring

**Notice:** Monitoring is the stage where the supervisor consistently follows how the employee is performing his/her activity against the target & giving feedback for improvement. Based on this please rate your level of agreement or disagreement for the following questions:

No	Statement	Strongly disagree (1)	Disagree(2)	Neutral(3)	Agree(4)	Strongly agree(5)
1	I have received feedback regularly about my performance from my supervisor.					
2	I always get support from my supervisor while I face challenges in performing my day to day activities.					
3	My supervisor/manager gives me feedback about my activity on the spot of action.					
4	There is a midterm review between my supervisor and me regarding my performance in the past months.					

## 2.4 Performance Developing

**Notice:** Developing is the stage where consideration is taken about employee performance & training( or other capacity building) is given which help the employee to perform more, this includes giving additional(higher) activity which lead the employee learn more. Based on this please rate your level of agreement or disagreement for the following questions:

S. No	Statement	Strongly disagree (1)	Disagree(2)	Neutral(3)	Agree(4)	Strongly agree(5)
1	Trainings are given to me regularly based on the job requirement.					
2	Awareness is created about AIC product or businesses regularly to accommodate new development or system enhancement.					
3	PMS in AIC is used in providing training and development upon identification of performance gap.					
4	Different activities are given to me which is done by my seniors to enhance my skills.					



## 2.5 Performance Assessment & Review

**Notice:** Performance Assessment is a step which is undertaken by the interaction of employee and supervisor for evaluating the extent to which the desired behaviour and results are met during the specific period of performance review. Based on this please rate your level of agreement or disagreement for the following questions:

S NO.	Statement	Strongly disagree (1)	Disagree(2)	Neutral(3)	Agree(4)	Strongly agree (5)
1	I have given a chance to assess my performance (self-appraisal method) based on the agreed plan.					
2	When my supervisor assesses my performance he/she is biased by different reasons.					
3	After assessment I always meet with my supervisor to review my performance.					
4	The discussion I had with my supervisor is focused on the contribution I made, the capability I have and on my continuous development					
5	In my opinion the objective of performance review in AIC is to motivate employees, to encourage development and to serve as a two way communication about the roles and expectations					

## 2.6 Performance Reward

**Notice:** Rewarding is a stage where formal recognition is given for outstanding performance of employees as an individual or as a member in a team for achievement of company mission. Based on this please rate your level of agreement or disagreement for the following questions:

S. No	Statement	Strongly disagree (1)	Disagree(2)	Neutral(3)	Agree (4)	Strongly agree (5)
1	Based on my performance result I got promotion, salary increment & different benefits.					
2	There is no differentiation because of performance result & bonus & other benefits are given for all employees of the company.					
3	My supervisor recognizes my achievement in every opportunity he/she gets.					
4	I got recognition as a team player & contribution for the successful accomplishment of team assignment.					

29. Please mention items you think is a challenge for implementation of performance management system.

## Appendix II–Questionnaire filled by Management staff of AIC

St. Mary’s University  
School of Graduate Studies

### MBA Thesis on “Practices & Challenges of Employee Performance Management System at Awash Insurance Company”

#### Questionnaire to be filled by Management staff of AIC

Dear respondents,

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**Student Name Aemro Beyene**

#### Part One: Respondent Profile

**Instruction:** Please put tick mark “√”

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2. In which age group do you fall?  
 Below 25     25 – 35     36 - 45     above 45
3. What is your highest educational level?  
 Certificate     Diploma     BA Degree     Master’s Degree     PHD

4. How long did you work in Awash Insurance Company?
- Less than 5 years  6 -10  11-15  16 -20
- 21 – 25  above 25 years

## **Part Two: Opinion Survey on Practices & Challenges of Performance Management**

**Instruction:** Please answer the following open ended questions:

5. What are the major components of Performance management system in AIC
6. How does the specific job performed by an individual is linked with the strategic objective of the Company?
7. Did employees of AIC properly communicated about Performance Management System; why it is needed by AIC, and the possible changes it could bring to the individual, the team as well as the company?
8. How performance planning does is done in AIC? Is it in consultation between the employee & the supervisor or other ways, please specify?
9. How and how frequently performance assessment is done in AIC? What problems do you face at the time of assessment?
10. Which step of performance management system: planning, monitoring, developing, assessment & review & reward did you find challenging? And why?
11. How does AIC handle the planning, monitoring, developing, assessment and reward processes Of Performance Management System?
12. Does AIC include performance management system as part of management policy?
13. Could it be possible to say that AIC has successfully implemented Performance Management by following all principles?
14. What are the rewards attached to employees performance result?
15. Please briefly describe the challenges you face with regard to performance management system.