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Assessing The Impact of Performance Management System and Reward Practice on Employee Satisfaction

at Action Professionals Association for the People

By

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Assessing The Impact of Performance Management System and Reward Practice on Employee Satisfaction

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DECLARATION

I, declare that this thesis work entitled **Assessing The Impact of Performance Management System and Reward Practice on Employee Satisfaction** is my original work and has not been presented in part or in full to any higher education institution for the purpose earning any degree have been duly acknowledged.

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Acknowledgement

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List of Table

Acronyms

APAP   Action professional association for the people

CSO   Civil Society   organization

HR   Human Resource

NGO   None Governmental Organization

PA   Performance Appraisal

PMS   Performance Management System

Abstract

Performance management practice and reward system assist organizations to achieve their goals and are important for their success and survival. While have been widely researched in for profit making organizations, studies focusing on the not-for-profit sector are very few. The purpose of this study is to Assess the impact of performance management system and reward practice in Action Professional Association for the People it is not-for-profit organization ,and the specific objectives of the study were; to assess the major problems in the practices of performance management of employees, to identify the potential sources of employees dissatisfactions regarding performance management, to give alternative solutions for problems regarding the practices of employees performance management and to determine the influence of rewards and recognition system on employee performance. To answer these questions descriptive survey research design has been employed by using both quantitative and qualitative research approach. The total number of employee in the organization is 38 of which 34 employees to fill in the questionnaire, which is the main data collection instrument. The data gathered from the questionnaire were compiled using table and percentage, Descriptive statistics method was used for analyzing data obtained from questionnaire and data gathered from interview and document analysis were analyzed contextually.

The result of the analysis was presented using tables. In general, the finding of the study revealed that organizational goals were not fully aligned with departmental and individual goals, participation of employee's in the planning stage of performance management is not across all employee, lack of regular feedback. In addition to this Benefits and rewards the organization decrease time to time, there is no salary increment in the organization within five years, the employees feel that payments they earn are lower than other similar organization. In order to fulfill 70:30 rule the organization can't spend more amount of money to rewarding the employee based on their performance and also there is no annual employee training plan in the organization. Recommendations were forwarded to align organizational goals with departmental and individual level, to improve the level of employee's participation in the PMS process, to enhance the awareness of employees about the purpose of PMS, and the organization need to develop and implement focused training and development programs as well as motivate their employees so as to realize improved organizational performance. Rewards be based on performance considerations after a fair and accurate evaluation of its effects on the beneficiary. Supervisors should also be trained and sensitized about the value of performance based reward systems and also be made aware that pay motivates employee to perform at their be

Chapter One: Introduction

1.1Background of the study

Performance management practices are now considered as one of the key contributing factors to the success of an Organization, and it helps guide organizations towards achieving their vision, mission, and goals and therefore it is a key factor for their survival and success of the organization.

Performance management is to establish a high performance culture in which individuals and teams take responsibility for the continuous improvement of business processes and for their own skills and contributions within a framework provided by effective leadership. Specifically, performance management is about aligning individual objectives to organizational objectives and ensuring that individuals uphold corporate core values. It provides for expectations to be defined and agreed in terms of role responsibilities and accountabilities, skills and behaviors, and to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organization. (Ann Gilley .et al 2009)

None Governmental Organizations represent a significant proportion of the economy in developed societies, the issue of performance management has become more important due to the competition for funds and demands for greater accountability by donors. The sector is particularly exposed to the economic cycle and to events such as the global financial crisis, which place additional pressure on achieving outcomes and on levels of accountability. The shortage of resources/funding, due to the changing economic conditions, increases the need for greater efficiency and effectiveness of the performance of the employee. (Armstrong, 2009)

Performance management allows managers and supervisors to use tools and processes to enable staff to do their best in their respective job roles and assignments. This is made possible through clear communication of job roles, acquisition of necessary skills; staff motivation, putting in place commensurate staff compensation and benefits packages and having appropriate supervision and leadership within the organization , and also Performance management

tools include; performance appraisal forms, employment contracts, job descriptions, organization policies and guidelines and all these tools are essential in the performance management process.(John .S 2005)

If performance management carried out properly, can reward people by recognition through feedback, the provision of opportunities to achieve, the scope to develop skills, and guidance on career paths. All these are non-financial rewards that can encourage job and organizational engagement and make a longer-lasting and more powerful impact than financial rewards such as performance-related pay. Performance management is, of course, also associated with pay by generating the information required to decide on pay increases or bonuses related to performance, competency or contribution. In some organizations this is its main purpose, but performance management is, or should be, much more about developing people and rewarding them in the broadest sense. If these institutions were not using this tool or not using it effectively with their staff, they could have been overlooking the significant benefits that a performance management system can create. Using performance management would provide one way for them to meet the increasing accountability demands they are experiencing from policymakers and to create organizational focus and achieve the outcomes they desire to achieve. (Armstrong 2000)

1.2. Statement of the problem

One of the core competencies an organization can have is on the human resource aspect. Having skilled and motivated work force is very critical for organizations to successfully perform its activity more effectively and efficiently than other.

Performance management as a cyclical process helps to manage individual, teams and departmental performance. It also helps to set reward systems and enhance performance. However, the commitment and orientation of organizations to enforce effective performance management differ from organization to organization. Some organizations practice effective performance management system and others do not. In Ethiopia, there have been lots of local NGO playing great role in the country development. However, there is no finding showing how employee's performance management and reward systems look like in those local NGO in Ethiopia. Therefore, the problem is that there is no sufficient empirical evidence on those local NGO

From 2008-2009 APAP revised its operational manual This is because the coming into effect of the Charities and Societies Proclamation No. 621/2009 has brought about a significant change in relation to the then existing legal and operational framework applicable to CSOs/NGOs. After the revision of the manual the reward mechanism and performance management practice are modified and some written reward system are not apply to the organization, this leads to employee dissatisfaction and increase turnover of the employee, when we see the last two year 2014 and 2015, in 2014 only two employee resign from the organization but in 2015 five employee resign from the organization, based on the information given during exit interview majority of the employee said that they are not satisfy or agree with current management of the organization and the reward practice of the organization.

Considering the importance of performance management system in APAP, I am interested to assess the practice of performance management system and reward practice in APAP in order to answer the following basic questions

- What are the major problems in the practices of performance management of employees?
- What are the potential sources of employee's dissatisfactions regarding performance management?
- What are alternative solutions for problems regarding the practices of employee performance management?
- does the rewards system influence employee performance

1.3 Objective of the study

General objective

The general objective of the study is to Asses impact of performance management system and reward practice on employee satisfaction at Action professional association for the people

Specific objective

- To assess the major problems in the practices of performance management of employees.
- To identify the potential sources of employees dissatisfactions regarding performance management
- To recommend solutions for problems regarding the practices of employees performance management
- To determine the influence of rewards and recognition system on employee performance

1.4. Significant of the study

The significant of the study is to identify key performance management factors that affect employee performance in the organization .The study provided key information to the organization on performance management aspects that affect employee performance in their organizations. Based on this study organizations would be able to position themselves strategically to address this factors hence improving performance which translates to improved organizational sustainability. It helps to improves employees, job performance, encourages to express their views, or to seek clarification on job duties, broaden their outlook, capacity, placement, facilitates selection for reward and promotion of the best qualified employee, by preventing grievance and increasing the analytical abilities of supervisors. These in turn help the organizations to benefit from the improved performance of employees, and also the study is significant to the organization in its provision of information about level of employees" motivation.

1.5 Limitation of the study

There are many local NGO registered in Ethiopia among them due to different reason I want study only one local NGO organization. Action professional Association for The people was chosen for the study because it was relatively easy to obtain the necessary approvals from management to conduct the research. The type of data required for the study is difficult to obtain since organizations regard human resources and employee performance information as confidential. This fact makes them reluctant to provide the data.

The survey participants or employee of the organization at each department may be don t have sufficient knowledge and understanding of their performance management system to answer the survey questions accurately and truthfully. But Incompleteness of the data was checked and appropriate explanation and clarification where made in order to maintain the quality of the data.

1.6 Delimitation of the Study

There are a number of factors that influence employee performance and reward practice in an organization. These factors include; working environment commonly, the health condition and well-being of an employee, available technologies and work equipment, employee skills level, employee motivation and training and development. However this study focused on some of those factors and tried to establish

how they affect employee performance in the NGO sector. The choice was aimed at ensuring a detailed analysis is conducted while at the same time creating an opportunity for further research in future.

1.7 Organization of the study

The study organized in to five chapters. Chapter one contains the introduction of the study with specific focus on the background of the study, statement of the problem, purpose of the study, and the research question, significance of the study and limitations of the study

Chapter two contains review of related literature, the literature is organized in thematic areas related to employee performance .The themes include; performance management and reward practice in organizations, the influence of training and development on employee performance in organizations.

Chapter three deals with methodology, description of the research design, target population as well as the description of the research instruments that were used for data collection. Validity and reliability of the research instruments and data collection and analysis procedures are covered in this chapter.

Chapter four contains data presentation. In this chapter main findings are presented and interpreted in line with the research questions.

Chapter five contains summary of conclusion and recommendation.

Chapter Two: Literature Review

2.1 Concepts and Definition of Performance Management

Different authors defined performance management in different words but almost all agree that the performance management system is a continuous process and it should have agreed targets which are drawn from the strategic goals of each organization.

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 (Armstrong 2006).

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)

Performance management is an integrated and systematic process of sustaining the success of organization by improving the performance of the people who work in them and also it is developing the capacity of individuals and team who contribute to the organization. It is also a strategic process in a sense that it deals with the broader issue of the organization efficiency to meet the market demands and long term goal. (Armstrong 2000). When we say performance management is an integrated process, first it is linking of the organization objective with the teams and individual core competences as well as integration of different aspects of human resource management including, organizational development, human resource development, reward and recognition to ensure excellence in the management and development of people. Performance management is based on the agreement of objectives, knowledge, skill and capability (competence) requirements, performance improvement, and personal development plans. 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)

Performance management is a powerful means of ensuring that the organization's strategic goals are achieved. It contributes to the achievement of culture change and it is integrated with other key HR activities, especially human capital management, talent management, learning and

development and reward management. Thus performance management helps to achieve horizontal integration and the 'bundling' of HR practices so that they are inter-related and therefore complement and reinforce each other. Performance management can also play an important part in increasing levels of employee engagement. **(Armstrong 5th edition.)**

Performance management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. Processes exist for establishing shared understanding about what is to be achieved, and for managing and developing people in a way that increases the probability that it will be achieved in the short and longer term. It focuses people on doing the right things by clarifying their goals. It is owned and driven by line management (**Armstrong 10th edition**)

2.2 Performance Appraisal and Performance Management

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

Performance management at the individual employee level is essential and the business case for implementing a system to measure and improve employee performance is strong. "Management time and effort to increase performance not only meets this goal; it also decreases turnover rates

Performance management is the process of identifying, measuring, managing, and developing the performance of the human resources in an organization. Basically we are trying to figure out how well employees perform and then to ultimately improve that performance level. When used correctly, performance management is a systematic analysis and measurement of worker performance (including communication of that assessment to the individual) that we use to improve performance over time.

Performance appraisal, on the other hand, is the ongoing process of evaluating employee performance. Performance appraisals are reviews of employee performance over time, so

appraisal is just one piece of performance management. It is sometimes assumed that performance appraisal is the same thing as performance management. But there are significant differences. Performance appraisal can be defined as the formal assessment and rating of individuals by their managers at, usually, an annual review meeting. In contrast, performance management is a continuous and much wider, more comprehensive and more natural process of management that clarifies mutual expectations, emphasizes the support role of managers who are expected to act as coaches rather than judges, and focuses on the future.

Performance appraisal has been discredited because too often it has been operated as a top-down and largely bureaucratic system owned by the HR department rather than by line managers. It has been perceived by many commentators such as Townley (1989) as solely a means of exercising managerial control. Performance appraisal tended to be backward looking, concentrating on what had gone wrong, rather than looking forward to future development needs. There was little or no link between them and the needs of the business. Line managers have frequently rejected performance appraisal schemes as being time-consuming and irrelevant. Employees have resented the superficial nature with which appraisals have been conducted by managers who lack the skills required, tend to be biased and are simply going through the motions. (Armstrong2006)

2.2.1 Advantage of Performance Appraisal

There are many benefits to conducting performance appraisals for managers and individual employees, as well as their departments and the organization as a whole. Some of the benefit are Improved communication between managers and employees, Motivated employees who perform/produce at a higher level, Creation of short- and long-term goals (individual, department- and company-wide) and monitoring of progress toward previously set goals, Identification of training needs, Heightened sense of accountability, empowerment, teamwork, and loyalty, Increased promotion and retention rates, Validation for rewards/pay increases and Documentation of ongoing performance issues for legal reasons(Ann Gilley .et al 2009)

2.2.2 Frequency of Performance Appraisal

Formal performance appraisals are most commonly conducted once per year. However, a continuous feedback approach, whereby the employee receives updates on a regular basis (either formally or informally), is the most effective means of keeping tabs on performance and helping employees improve. With continuous feedback, there are no ''surprises'' at the formal appraisal meeting. Many organizations also use a probationary appraisal for assessing new-hire performance. This appraisal is usually done within several weeks or months of an employee's hire date. Passing a probationary appraisal is often a condition of continued employment and can also be used as a benchmark for benefit administration, some organizations use what is considered a ''warning'' appraisal for specific instances of poor performance. When performance or behavior is particularly egregious, the employee is given a warning or ultimatum to immediately improve performance or change a behavior. If immediate improvement is not seen, termination is usually the consequence. (Ann Gilley .et al 2009)

2.2.3 Performance Appraisal methods

Many different approaches to conducting performance appraisals exist. The size and culture of an organization affect what type of appraisal system is used and how often an appraisal is done (most often once a year). The resources necessary to implement a formal system can be extensive; creation of forms, analysis and dissemination of information, filing, etc., can be time consuming and costly. However, once in place, a process can be maintained with little manpower.

The appraisal can take an informal or formal approach. Informally, performance is casually discussed and documentation is kept to a minimum. In a formal approach, performance is discussed in an appraisal meeting in which key performance indicators are thoroughly documented (usually on a standard form). Some of the most common performance appraisal methods are: the first one is Performance-based and self-Assessment method, Performance-based appraisal the manager rates specific job related requirements associated with an employee's position. Identifying where an employee falls on a ''below expectations'' to ''exceeds expectations'' scale is a quick way to accurately assess performance. This method involves filling out a standard rating-scale form, which can make the process fairly fast and simple. In

order to be fair and equitable, the job-related requirements that are measured must be the same for all employees who hold the same position

• Top-down:-several management-level members rate the performance of an employee.
• Upward: - the employee rates the performance and effectiveness of the manager.
• Peer review:-peers and team members rate the employee's performance. Care must be taken in choosing unbiased peers, and the manager must decide how much weight is given to each peer's feedback to obtain a fair result. Choosing someone in competition for a promotion or pay raise may lead to flawed feedback. This method can be used when a manager has limited contact with the employee. The second one is Self-assessment:-employees rate their own performance. A self-assessment can be implemented into all performance appraisal methods the third one is 360-degree review:-this method relies on feedback gathered from people throughout an organization, and at varying professional levels, who have worked with the employee. This includes the manager, peers, and customers (both internal and external, Continuous feedback also the third one the appraisal process is conducted more than once per year (usually 2–4 times). This allows for constant monitoring, communication, feedback, and modification of performance and goals

Narrative:-an essay-type evaluation of performance is written by the manager. This can be used alone, but is most often used to supplement the standard rating form. This can be a very subjective means of evaluation, with the writer often discussing more personality based traits of the individual versus measurable job skills. It can be used as a way to ''soften the blow'' of a less than favorable appraisal. The effectiveness of a narrative is directly related to the writing skills of the manager. If used alone, it does not allow for a rating comparison of several employee, and the last one is Follow-up reviews: - continuation of the appraisal process when training and development, opportunities are scheduled, short-term goals are evaluated or changed, and progress is discussed. Follow-up reviews are often conducted within several weeks of the main appraisal meeting, some of merits of improve employee efficiency are improve in areas of weaknesses and further develop areas of strength, motivate employees who perform at a higher level, monitoring of progress toward previously set goals, Heightened sense of accountability, empowerment, teamwork, and loyalty and demerits of performance appraisal method on employee efficiency are some appraisal method directly related to the writing skills of

the manager, this make the appraisal method very subjective it depend on the ability of the manager and also personality biased may occur at the time of evaluation (Ann Gilley .et al 2009)

2.2.4 Common Problems with the Performance Appraisal

Bias is simply a personality based tendency, either toward or against something. In the case of performance assessment. All human beings have biases, but supervisors should not allow biased people in the evaluation processes. Biases make the evaluation process subjective rather than objective, and certainly provide the opportunity. The following are some type of biases.

The first one is serotype, Stereotyping is mentally classifying a person into an affinity group, and then identifying the person as having the same assumed characteristics as the group. Though stereotyping is almost always assumed to be negative, there are many incidents of positive stereotypes. The second one is halo error, this error occurs when the evaluator has a generally positive or negative impression of an individual, and the evaluator then artificially extends that general impression to many individual categories of performance to create an overall evaluation of the individual that is either positive or negative and the other one is Distributional errors these errors occur in three forms: severity or strictness, central tendency, and leniency. They are based on a standard normal distribution, or the bell curve that we are all so familiar with. In severity or strictness error, the rater evaluates everyone, or nearly everyone, as below average. Finally, leniency error occurs when the rater evaluates all others as above average. Leniency error, therefore, is basically a form of grade inflation. We can avoid distributional errors by giving a range of evaluations. The distribution is often based on the ranking method of evaluation and forced distribution. Similarity error occurs when raters evaluate subordinates that they consider more similar to themselves as better employees, and subordinates that they consider different from themselves as poorer employees. We all have a tendency to feel more comfortable with people who we feel are more similar to ourselves, and if we are not careful, we can allow this feeling of comfort with similar individuals to be reflected in the performance appraisal process. We can avoid similarity error by embracing diversity and objectively evaluating individual employees based on their actual performance, even if they are different from us and don't do things the same way that we do.

Proximity error states that similar marks may be given to items that are near each other on the performance appraisal form, regardless of differences in performance on those measures. We can

avoid proximity error by objectively evaluating employees' actual performance on each and every item on the assessment form. The other type of error is decency error this error occurs when raters use only the last few weeks or month of a rating period as evidence of their ratings of others. We can avoid the regency error by evaluating the employee based on the entire assessment period, commonly 6–12 months. Using the critical incidents method really helps our recall and assessment of the entire period more objectively. The last one is Contrast error. Contrast error and Attribution error   the first one is the rater compares and contrasts performance between two employees, rather than using absolute measures of performance to measure each employee. For example, the rater may contrast a good performer with an outstanding performer, and as a result of the significant contrast, the good performer may seem to be "below average." This would be a contrast error. We can avoid contrast error by objectively evaluating individual employees based on their actual performance. We must use the ranking method correctly; first we assess each individual based on the items on the assessment form then we rank the individuals based on their assessments and the next one is attribution is a process where an individual assumes reasons or motivations (such as attitudes, values, or beliefs) for an observed behavior. So, attribution error in performance appraisal might occur when the rater observes an employee action such as an argumentative answer to a question and assumes that the individual has a negative attitude toward the job and is a poor performer. This may not be true, and in such a case the rater would be guilty of an attribution error. We need to avoid attribution error because it is based on our subjective conclusion. When in doubt, we shouldn't assume. We know why the employee did or didn't do something. We should talk to employees to find out so that we can objectively evaluate employees based on their actual performance. Performance appraisal have its Owen merits and demerits .(SHRM, 2010)

2.3 Performance Management

2.3.1 Aims of Performance Management

Performance management is a means of getting better results by providing the means for individuals to perform well within an agreed framework of planned goals, standards and competency requirements. It involves developing a shared understanding about what is to be achieved and how it is to be achieved. The aim is to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the

organization. A further aim is to clarify how individuals are expected to contribute to the achievement of organization goals by aligning individual objectives with the strategic objectives of the organization. Performance management provides the basis for self-development but, importantly, it is also about ensuring that the support and guidance people need to develop and improve are readily available. Performance management can play an important role in rewarding employees by providing positive feedback and the recognition of their accomplishments.

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

The aim is to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organization. Importantly, performance management is concerned with ensuring that the support and guidance people need to develop and improve are readily available, the aims of performance management as expressed by a variety of organizations (Armstrong2006)

2.3.2 Characteristics of Performance Management

Performance management is a planned process of which the primary elements are agreement, measurement, feedback, positive reinforcement and dialogue. It is concerned with measuring outputs in the shape of delivered performance compared with expectations expressed as objectives. In this respect, it focuses on targets, standards and performance measures or indicators. It is based on the agreement of role requirements, objectives and performance improvement and personal development plans. It provides the setting for ongoing dialogues about performance that involves the joint and continuing review of achievements against objectives, requirements and plans.

But it is also concerned with inputs and values. The inputs are the knowledge, skills and behaviors required to produce the expected results. Developmental needs are identified by

defining these requirements and assessing the extent to which the expected levels of performance have been achieved through the effective use of knowledge and skills and through appropriate behavior that upholds core values. Performance management is a continuous and flexible process, which involves managers and those whom they manage acting as partners within a framework that sets out how they can best work together to achieve the required results. It is based on the principle of management by contract and agreement rather than management by command. It relies on consensus and co-operation rather than control or coercion.

Performance management focuses on future performance planning and improvement rather than on retrospective performance appraisal. It functions as a continuous and evolutionary process, in which performance improves over time. It provides the basis for regular and frequent dialogues between managers and individuals about performance and development needs. It is mainly concerned with individual performance but it can also be applied to teams. The emphasis is on development, although performance management is an important part of the reward system through the provision of feedback and recognition and the identification of opportunities for growth. It may be associated with performance or contribution-related pay, but its developmental aspects are much more important. (armstrong2006)

2.3.3 Processes of Performance Management

The meaning of performance management it is a continuous process that engages both the manager and an employee to set out how they can best work together to achieve the required results. As a result performance management system has its own process in order to execute the system effectively, the most common process of performance management include four phases this are, performance planning, performance execution, performance assessment and performance review.

1. Performance planning

Performance planning cycle of performance management system is the first stages where employees will be enable to have a clear knowledge about the system. It is the first cycle where supervisor and employee meet to discuss and agree on what is to be done and how it is to be done by combining the result, behavior and development plan. By results we mean the outcomes that an employee must perform quality products and services with time in accordance to personal

accountabilities. On the other hand, behavior is an important measure of results on how employees do their job by discussing on competencies, which are measurable clusters of knowledge, skills, and attitudes that are critical in determining how results will be achieved. The third component of a planning phase is development plan. It is identifying areas of improvement and setting goals to be achieved in each area. It usually includes both results and behaviors. Such plans highlight an 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, and 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. To show the difference between result and behavior Dick Grote (2002) identified that, results include actual job outputs, countable products, measurable outcomes and accomplishment, and objectives achieved. It deals with what the person achieved. Whereas behaviors include competencies, skills, expertise and proficiencies, the individual's adherence to organizational values, and the persons style, manner and approach.

When conducting the performance planning cycle, there are some responsibilities which will be expected both from the supervisor and the employee before the discussion and during the discussion. The responsibilities of the supervisor before the meeting is first to review the organization's mission, vision and values statement and departments goal, the second one is reading the individuals job description and thinking about the goals and objectives which the employees is expected to achieve in the appraisal period. The third and the forth responsibilities of the supervisor is identifying the most important competencies and determining what consideration should be taken to the successfulness of performance in each area respectively. In addition to these during the meeting the supervisor will be responsible to discuss and come to an agreement with the individual on the most important competencies, key position responsibilities and goals and also he/she is responsible to come to an agreement on the development plan of an employee. On the other hand the employee has also the same responsibilities while conducting the performance planning stage in order to make the performance management effective and successful. (Dick Grote 2002)

2. Performance Execution

Once the performance-planning phase has been completed, the next step is to get the job done to execute the plan. Performance execution is the second phase of an effective performance

management process. For the individual, the critical responsibility in phase two is getting the job done achieving the objectives. Even if the line share of this phase will be taken by the employee, but the appraiser have also two major responsibilities: creating the conditions that motivate, and confronting and correcting any performance problems. In an effective performance management system, performance execution also includes a midterm review to ensure that performance is on track (Dick Grote 2002).

Responsibilities of supervisor in the execution stage of performance management system.

1. 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.

2. Updates: - when there is a change in organizational goal, supervisors must update and revise the initial planned objectives, standards key accountabilities and key competency accordingly.

3. Feedback: - in order to improve performance, feedback should be provided regularly before the time of assessment and also supervisor should coach and monitor employee every time

4. 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.

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

1. Responsibilities of employees in the execution stage of performance management system.
   . Get the job done: - performing the agreed objectives, competencies and development plan at the performance planning stage is solely the responsibility of the employee by carrying out them on a daily activity.

2. Solicit performance feedback and coaching: - even though giving feedback is the responsibility of supervisors, employees have to also ask for feedback on their performance and plead for coaching and mentoring while they face some problem in executing their day to day job

3. Communicate openly with appraisers on progress and problems in achieving objectives: - at the performance execution stage, employees should feel free to communicate with their supervisors regarding their progress as well as problems while trying to achieve their objectives.

4. Update objectives as conditions change: - whenever there is a change in organizational objective, Employees should update their objectives as well in order to comply with the new change.

5. Complete the development plan: - once employees put their development plan in the planning process, they have to complete it before the performance assessment stage.

6. Keep track of achievements and accomplishments: - employees should register their achievements and accomplishments while performing their job. This will help them to point out the major achievements at the time performance assessment with their supervisors.

7. Actively participate in the midterm review meeting: - this is the chance where employees can reach on an agreement with their supervisors about their performance in the past and the areas of improvement for the future. (Dick Grote 2002)

3. Performance Assessment

In the assessment phase, both the employee and the manager are responsible for evaluating the extent to which the desired behaviors have been displayed, and whether the desired results have been achieved. Although many sources can be used to collect performance information (for example, peers or subordinates), in most cases the direct supervisor provides the information. This also includes an evaluation of the extent to which the goals stated in the development plan have been achieved. It is important that both the employee and the manager take ownership of the assessment process. The manager fills out his or her appraisal form, and the employee should also fill out his or her form. The fact that both parties are involved in the assessment process provides better information to be used during the review phase (Smither and London 2009). When both the employee and the supervisor are active participants in the evaluation process, there is a greater likelihood that the information will be used productively in the future. Specifically, the inclusion of self - ratings helps emphasize possible discrepancies between self-views and the views that important others (that is, supervisors) have. It is the discrepancy between these two views that is most likely to trigger development efforts, particularly when feedback from the supervisor is more negative than are employee self - evaluations. The benefit

of self-appraisal is to reduce employee's defensiveness during the assessment meeting and also in increase employee's satisfaction and trust in the performance management system. According to Dick as the time for the formal performance appraisal nears, the manager reflects on how well the subordinate has performed over the course of the year, assembles the various forms and paperwork that the organization provides to make this assessment, and fills them out.

The manager may also recommend a change in the individual's compensation based on the quality of the individual's work (Dick Grote 2009). Habitually, people think that performance appraisal is an event required by the personnel department in which the manager fills out the form and then uses it to give feedback which is totally wrong. Rather performance assessment is one of the most important processes in performance management system in which supervisors are assessing their subordinates regarding their performance in the past which lays a ground for keeping the strength and improving on the weaknesses and working on the development plan for the future.

Managers often complain that evaluating someone's performance is difficult. The reason that they find it difficult is usually that they have not done a good job of performance planning at the beginning of the year. If a manager has not held a planning discussion at that time, it's difficult to evaluate performance at the end of the year. In the performance assessment stage supervisors have the following major responsibility which helps them to evaluate their subordinate effectively and fairly.

i. Review the original of competencies, goals, objective and key position responsibility. Since performance assessment is made based on the goals, objective and competencies listed in the performance planning stage, supervisors should review them so as to cascade the assessment from them.

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

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

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

v.   Write the official performance appraisal using the appraisal form. Review the appraisal with the manager and obtain concurrence: The assessment filled on the appraisal form should be reviewed by the higher supervisors in order to cross check the fairness of the evaluation.

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

vii.   Prepare for the performance review meeting: - employees and supervisors should have a meeting to talk about the assessment as well as performance review for the next period. Likewise supervisors" individuals have also the above stated responsibilities in the performance assessment phase of the process.

4. Performance Review

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

Providing feedback in an effective manner is extremely important because it leads not only to performance improvement but also to employee satisfaction with the system. At this point, however, let's emphasize that people are apprehensive about both receiving and giving performance information, and this apprehension reinforces the importance of a formal performance review as part of any performance management system. A performance review

should be rooted in the reality of the employee's performance. Individuals should be encouraged to assess their own performance and become active agents for change in improving their results. Managers should be encouraged to adopt their proper enabling role (Armstrong 2000). There should be no surprises in a formal review if performance issues have been dealt with as they should have been, namely as they arise during the year. The true role of performance management is to look forward to what needs to be done by people to achieve the overall purpose of the job, to meet new challenges, to make even better use of their knowledge, skills and abilities, and to help them to develop their capabilities and improve their performance. This process also helps managers to improve their ability to lead, guide and develop both individuals and teams for whom they are responsible (Armstrong 2000).

2.3.4 Principles of Performance Management System

Performance management is primarily concerned with performance improvement in order to achieve organizational, team and individual effectiveness. And also, performance management is concerned with employee development. Performance improvement is not achievable unless there are effective processes of continuous development. This addresses the core capabilities of the organization and the specific capabilities of individuals and teams. Performance management should really be called performance and development management, performance management is concerned with satisfying the needs and expectations of all of an organizations. (Armstrong 2009).

Performance management should respect the needs of individuals and teams as well as those of the organization, recognizing that they will not always coincide, and performance management is concerned with communication and involvement. It creates a climate in which a continuing dialogue between managers and the members of their teams takes place in order to define expectations and share information on the organization's mission, values and objectives. This establishes mutual understanding of what is to be achieved and a framework for managing and developing people to ensure that it will be achieved. Performance management can contribute to the development of a high-involvement organization by getting teams and individuals to participate in defining their objectives and the means to achieve them (Armstrong 2009).

Performance management has principles which govern the entire system. Some of them identified by Armstrong 2000: are It translates corporate goals into individual, team, department and divisional goals, It helps to clarify corporate goals, It is a continuous and evolutionary

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process, in which performance improves over time, It relies on consensus and co-operation rather than control or coercion, it creates a shared understanding of what is required to improve performance and how this will be achieved it encourages self-management of individual performance, It requires a management style that is open and honest and encourages two-way communication between superiors and subordinates, It requires continuous feedback, Feedback loops enable the experiences and knowledge gained on the job by individuals to modify corporate objectives, It measures and assesses all performance against jointly agreed goals, it should apply to all staff; and it is not primarily concerned with linking performance to financial reward.(Armstrong 2000)

2.3.5 Purposes of Performance Management System

The whole purpose of performance management is to get better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. It is a process for establishing shared understanding about what is to be achieved, and an approach to managing and developing people in a way which increases the probability that it will be achieved in the short and longer term. 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 (Smither and London 2009). There are a number of purposes that formal performance management systems might serve. They can provide employees with information about how they are perceived in the organization and where they stand. Performance management as a system can serve as a pillar for the development of individuals, teams and organization in a way that they intend to get to the desired goal. Performance management system has many purposes but the major ones are discussed below (Smither and London 2009)

Strategic: It links the organization's goals with individual goals, thereby reinforcing behaviors consistent with the attainment of organizational goals, Administrative: It is a source of valid and useful information for making decisions about employees, including salary adjustments, promotions, employee retention or termination, recognition of superior performance, identification of poor performers, layoffs, and merit increases, Communication: It allows employees to be informed about how well they are doing, to receive information on specific areas that may need improvement, and to learn about the organization's

and the supervisor's expectations and what aspects of work the supervisor believes are most important.

Developmental: It includes feedback, which allows managers to coach employees and help them improve performance on an ongoing basis. Organizational maintenance: It yields information about skills, abilities, promotional potential, and assignment histories of current employees to be used in workforce planning as well as assessing future training needs, evaluating performance achievements at the organizational level, and evaluating the effectiveness of human resource interventions. Documentation: It yields data that can be used to assess the predictive accuracy of newly proposed selection instruments as well as important administrative decisions. This information can be especially useful in the case of litigation

2.3.6 Challenges of Performance Management System

The performance management challenge in organizations have many dimensions, in many cases remuneration schemes are driving the performance system, which creates a number on long term consequences in organizational behavior and culture. (Dick Grote 2002) Some challenges are discussed below

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

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

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

4. Managing performance system. Managing a performance system in an organization requires a disciplined framework; it requires the organization to work off one master plan broken down into relevant parts and areas of responsibility. The management responsibility at various levels needs to understand the contracting, measurement development and appraisal process very well and apply it consistently.

5. Managing poor performance the management of poor performance is normally a reactive action, but in many cases it is delayed and therefore turns into a discussion that is difficult to make relevant. Another reason poor performance is not managed on time is the lack of valid measurements and the collection of required evidence and measurement data.

2.3.7 Performance Management and its Challenges in Organizations

The greatest challenge of Performance Management in practice today is the sheer complexity of the concept of Performance Management. Not only does Performance Management have multiple dimensions, but there is no best approach. Organizations of different types should not be doing everything in the same way. There are usually even multiple good alternatives for organizations of the same type. Furthermore, the continuous internationalization of business means that Performance Management must take into consideration operations worldwide. Organizations have faced challenges implementing effective Performance Management system due to a lack of understanding and communication. There is the challenge itself to effectively explain the benefits of Performance Management systems. As a result, many organizations have a lack of motivation to explore such options. A lack of cooperation usually occurs due to the fear of making operations transparent and available to the scrutiny of outside parties. In addition, there are difficulties explaining to employees what exactly the process of implementing a Performance Management system is and how they can get involved. This lack of understanding of implementation can be attributed to the fact that research has generally focused on frameworks and measures. Therefore, there needs to be a stronger emphasis on design and implementation, followed by support and coaching. (Dick Grote 2002)

Organizations have faced challenges implementing effective Performance Management system due to a lack of understanding and communication. There is the challenge itself to effectively explain the benefits of Performance Management systems. As a result, many organizations have a lack of motivation to explore such options. A lack of cooperation usually occurs due to the fear of making operations transparent and available to the scrutiny of outside parties. In addition,

there are difficulties to clarifying the process of implementing a Performance Management system and involvement in the system. Therefore, there needs to be a stronger emphasis on design and implementation, followed by support and coaching. (Dick Grote 2002)

2.3.8 The impact of performance management on performance of the organization

Performance management is expected to improve organizational performance generally by creating a performance culture in which the achievement of high performance is a way of life. More specifically, effective performance management ensures that individual goals are aligned with organizational goals, so that key performance indicators for employees are linked to those of the organization, and the contribution people can make to organizational performance is therefore defined. A description of what performance management should contribute was defined by Jones et al (1995) as follows: communicate a shared vision throughout the organization to help to establish and support appropriate leadership and management styles, define individual requirements and expectation of all employees in terms of the inputs and outputs expected from them thus reducing confusion and ambiguity, provide a framework and environment for teams to develop and succeed; provide the climate and systems which support reward and communicate how people and the organization can achieve improved performance, help people manage ambiguity. It is assumed that managers and their team members working together on a continuing basis throughout the year to use performance management processes such as goal setting, feedback, and performance analysis and coaching will create a situation in which continuous improvement in results will be guaranteed.

2.4 Influence of Training and Development on Employee Performance

In the real world, organizational growth and development is affected by a number of factors. In light with the present research during the development of organizations, employee training plays a vital role in improving performance as well as increasing productivity. This in turn leads to placing organizations in the better positions to face competition and stay at the top. This therefore implies an existence of a significant difference between the organizations that train their employees and organizations that do not.

Investment in human capital through higher qualifications and training is considered as a key step towards achieving sustained long-term productivity. Despite the fact that these investments provide direct return to employees who benefit from them there is little direct evidence about

possible wider returns. Wider returns arise when internally workers seem to gain from skill acquisition but firms also gains to an equal or greater or lesser extent.

Training and Development basically deals with the acquisition of understanding, know how, techniques and practices. In fact, training and development is one of the imperatives of human resource management as it can improve performance at individual, collegial and organizational levels. As the process of 'increasing one's capacity to take action, organizations are now increasingly becoming particular with organizational learning and therefore collective development. Organizational learning, on the other hand, refers to the "efficient procedure to process, interpret and respond to both internal and external information of a predominantly explicit nature closing the skills gap is now a critical area of human resource development for organizations to continuously penetrate the market. Skills gap basically threatens the productivity and competitiveness both in organizational and operational levels. This requires that human resource management professionals should start the cultivation of the workforce from the recruitment period. However, this is not easy considering that there are specific works which require customization of skills and that not all newly hired employees acquire social skills aside from the basic skills. In responding to the challenges of the skills gap and skills deficiency, HR professionals have to develop programs that will address the problem.

Regardless of individual differences and whether a trainee is learning a new skill of acquiring knowledge of a given topic, the person should be given opportunity to practice what is being taught. Practice is also essential after the individual has been successfully trained There are two aspects of practice active practice and over learning. Active learning allows the trainees to perform the task repeatedly or use the knowledge being learned. Over learning occurs when trainees are given the opportunity to practice far beyond the point where the task becomes 'second nature' and is said to be 'over learned'. The fifth and most important all which will give life to other four is application because training is useless unless learning can be applied. Thereby, training and development is beneficial not just for the organization itself but also to the individual employees. On the one hand, training and development leads to Improved profitability and/or more positive attitudes toward profit orientation improves the job knowledge and skills at all levels of the organization, improves the morale of the workforce and helps the employees identify with organizational goals (Sims, 1990). On the other, training and development benefits individual employees through helping them make better decisions and effective problem solving,

assisting in encouraging and achieving self-development and self-confidence, helping an employee a person handle stress, tension, frustration, and conflict, increasing job satisfaction and recognition and moving the person toward personal goals while improving interaction skills

2.5 Employee Motivation and its influence in Performance

Motivation is the most important matter for every organization governmental or non-governmental or. For the success of any organization motivation play an important role.
Today organization can easily change their material, needs, goods and services to other organization, or to other countries. But the only one resource which is not easily exchangeable is human resources. So we can say that human resources is the very important or most competitive assets of any organization that cannot be exchangeable. Human resources or human assets mean the workers or the employee of any organization. So the motivation is main factor that affect the human resources of the organization. The organization should be motivating their employees for the best performance or for achieving the organizational goals. In fact motivation is the best tool for best performance. Today there are many discussions about motivation and the relationship of employee's efficiency and the organizational efficiencies. Motivation will lead to the fact that workers or employees of the organization will seriously do his duties and responsibilities

The link between human resource practices and organizational effectiveness has continued to receive much attention with assertions that internally coherent human resource practices aligned with an organization strategy may be key towards improvement of employee motivation which in turn leads to enhanced organizational performance, employees' behavior at work can be regarded as a reaction to their interpretations and appraisal of work performance. A positive concern for customers' makes employees perceive that superior service is expected desired and rewarded hence providing strong motivational force for employees to provide high quality service. Point out that performance has multiple dimensions and minimizing negative mood is important to increasing operational capacity by increasing employees' availability to customers while at the same time increasing positive mood is important as it encourages higher quality of service. Depending on what performance goal is more important a manager may choose either approach but being mindful of effects of initial and on-going interactions with their employees. Redman (2010) notes that a positive relationship between supportive human resources practices

and organizational commitment, job satisfaction and employee turnover is mediated by perceived organizational support and that high performance work system is associated with trust in management and safety climate. Human resource management policies in general may be seen to have an input into the social exchange process as the evidence of positive effects of bundles of high performance or high commitment work practices on employee attitudes and behavior. Human resource management practices are significant for their role in enhancing employee's sense of job influence which provides intrinsic motivation and a sense of self confidence. When organizations invest in their employees through high commitment human resource practices employees reciprocate by exerting more effort with increased motivation. High commitment HR practices include: providing employees with above market compensation and benefit packages, hiring skilled employees who can contribute significantly from the start and fit with the organization and providing career opportunities and development opportunities within the organization. An organizations ability to get the best from their employee in terms of their energies, knowledge and creativity and harnessing them for competitive advantage is anchored in the strength of the psychological contracts. Understanding and strengthening psychological contracts is of importance to any organization since it has a direct relationship with an employee's self-drive and motivation. Employees' contribution can no longer be extracted by coercion and in the current highly competitive environment organizations have to build processes and practices that focus on commitment rather than compliance.

2.6 Reward Systems and Performance Management

Reward systems are linked to the process of performance management. According to Michael A. (2007), Reward management deals with the strategies, policies and processes required to ensure that the contribution of people to the organization is recognized by both financial and non-financial means. It is about the design, implementation and maintenance of reward systems (reward processes, practices and procedures), which aim to meet the needs of both the organization and its stakeholders. Reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility (Faisal & Mohammed, 2009). Reward has constantly been a key issue to conceptual and analytical human resource frameworks (Storey, 2001). Zhou J. et al (2009) revealed it as the compensation which an employee receives from an organization (mainly refer to enterprises) for his or her service. It not simply contains

direct currencies and other forms which can convert to currencies, but also a comfortable office, favorable interpersonal relationship inside the organization, having access to decision-making involvement, the challenge and sense of achievement, preferable growth opportunities. Reward systems are much more than just bonus plans and stock options. While they often include both of these incentives, they can also include awards and other types of recognition, promotions, reassignment, or other non-monetary bonuses.

Today organizations are showing a high degree of commitment towards reinforcement of reward practices which are aligned with other HR practices and the goals of the organization for attracting, retaining and motivating employees. Efficient reward practices helps in attracting result driven professionals who can thrive and succeed in performance based environments. Hence, it is a crucial motivator and may contribute towards the enhancement of the productivity of the employees if implemented properly.

An effective reward system should be linked with the performance development system, which focuses on performance based pay and offers ample learning opportunities along with a healthy work environment. Variable pay can play a crucial role in boosting the performance of the employees especially the star performers instead of the fixed pay packages. Few such reward practices may take the forms of gain sharing, bonuses, team based incentives, profit sharing, ESOP's and equity based incentive awards

An efficient management of reward system may have a beneficial effect upon the performance in several ways - instilling a sense of ownership amongst the employees, may facilitate long term focus with continuous improvement, reduces service operating costs, promotes team work, minimizes employee dissatisfaction and enhanced employee interest in the financial performance of the company

Performance management systems generally seek to link rewards (for example, money or recognition) to performance. note that pay for performance plans can focus on individual performance (merit pay, skill-based pay, piece rates, sales commissions, employee suggestion systems), team performance (team incentives, team recognition), or organizational performance (gain sharing, profit sharing, stock ownership). One potential downside of individual-level pay for performance is that employees might see little value in cooperating with co -workers (which can create problems when cooperation would benefit the group or organization as a whole). At the team level, team incentives can be used in situations in which (a) the team produces an

identifiable output and (b) it is difficult or impossible to measure the contribution of individual team members. Usually, the incentive is divided equally among team members. One downside to pay for performance at the team level is what has been referred to as "social loafing" or "free riding," where some employees limit their efforts when they believe that their individual contributions cannot or will not be assessed and others on the team will work very hard to ensure the team's success. When individual contributions to team success can be assessed, then team rewards can be distributed proportional to those contributions. Consistent with what would be expected based on social loafing or free rider. Research, the size of the group moderates the effectiveness of group pay plans, with a larger impact occurring in smaller firms .At the facility or organization level, gainsharing plans provide rewards for cost (or time) savings or revenue enhancement, an attractive feature of gainsharing plans is that they pay for themselves because rewards are not distributed until costs are reduced or revenue is enhanced. Gainsharing plans generally use joint committees of employees and managers who solicit, screen, and help implement suggestions from employees. The cost savings or increased revenues are split between employees. One issue associated with all organization-level pay for performance plans has been referred to as the "line of sight' problem where employees see little connection between their performance and the performance of the organization as a whole (Heneman & Gresham, 1998). This is especially likely to be a problem when poor organizational performance and hence low plan payouts are perceived as being due to factors beyond employees ' control such as poor decisions of executives (Rynes, Gerhart, & Parks, 2005). Pay for performance plans should be matched to business objectives. For example, skill -based pay plans would be a good fit for employee development objectives; individual plans (for example, piece rate) and gainsharing plans would be a good fi t for productivity (for example, revenue enhancement or cost reduction) objectives; team recognition and team incentives would be a good fi t for teamwork objectives; and profit sharing would be a good fit for profit objectives Many organizations link pay to performance at multiple levels (merit pay, team incentives or recognition, and profit sharing) in an attempt retain the advantages of each approach while minimizing its potential negative consequences (James W. et al 1998)

2.6.1 Performance management a rewarding process

Performance management, if carried out properly, can reward people by recognition, through feedback, the provision of opportunities to achieve, the scope to develop skills, and guidance on career paths also improved, all these non-financial rewards that can encourage employee at the work place engagement and make a longer-lasting and more powerful impact than financial rewards such as performance-related pay.

Performance management is also associated with pay by generating the information required to decide on pay increases or bonuses related to performance, competency or contribution. In some organizations this is its main purpose, but performance management is, or should be, much more about developing people and rewarding them in the broadest sense. (Armstrong 2014)

2.7 Studies on Performance Management and reward practice

A number of studies have been carried out concerning the practice of performance management and reward system taking in to account public and private sector organizations..

 Performance Management System (PMS) had a more positive impact on performance. The work groups that were already performing well benefited from PMS whereas those that were not, had a more negative attitude to PMS and was less positive about its impact on performance (Harper and Vilkinas, 2005).

A study carried out by Jemal and David (2007) found that provision of performance feedback and recognition of individual performance were rated highest on the study. However, it was found that performance appraisal information had significantly greater impact on promotion, retention/termination and lay-offs, identifying individual training needs, transfers and assignments.

Jotam M (2013) study confirms that a significant association exist between employee training and development, employee motivation and leadership style and improved employee performance whereas type of employment contracts and an organizations rewards policy have no significant association with improved employee performance.

Paul Yap (2010) the study show that the case NGO organization had a strong alignment between its strategic planning process and PMSs. They also reveal that the PMSs of the studied NGO were sophisticated and intricate with a high level of reflection involved in its design and use.

Harriet.K(2003) the revealed that, the most commonly used types of performance-based rewards in the organization are: public appreciation, promotion, packages/presents, and duty allowances and overtime pay. It was also established that performance-based rewards affect the performance of employee by motivating them and increasing their productivity and efficiency.

Chapter Three: Research Design and Methodologies

3.1. Study area

The study was conducted at Action Professionals' Association for the People (APAP), APAP is a non-profit, non-partisan and indigenous non-governmental organization established in 1993 by a group of professionals'. APAP was founded with the objective of accessing justice and human rights information to the marginalized or otherwise disadvantaged sections of the Ethiopian society so as to bring about an attitudinal change for them to become informed and active participants in the overall development process. Hence, ever since its establishment, over the last twenty three years, APAP has been designing and implementing projects and programs for the promotion and protection of the human rights of the poor and otherwise disadvantaged sections of the Ethiopian society.

3.2 Research Design

In this study descriptive survey research design was used to assess performance management system and reward practice in APAP. Different types of data collection mechanism and different interpretations of those data was used. In this study both quantitative and qualitative data collection methods were applied in order to collect primary and secondary data.

3.3 study Population

The total population or employee considered for this study consists of all employees of Action professional organization for the people, there are around 38 employees working in APAP including those who are working at woreda level in Herer and Dessa. From the total population by purposive sampling 34 employee where participate in the study.

3.4. Data source and Research instrument

In this research work, the data sources from primary data and secondary data. Primary data collect from all employee of the organization through questionnaire and interview with some employee who have more knowledge regarding performance management system in order to create an opportunity for them to discuss about the issue briefly and to have concrete information about performance management system.

Secondary data source were collect from organization performance management manual. The manual was reviewed to generate data concerning organization background and policies concerning performance management and benefits administration.

Data collection procedure

i. **Questionnaire**

Questionnaires was distributed to all staff in their respective offices and by electronic mail four employee those who were not in head office. This method were also provided access to some of the project staff outside Addis Ababa main office. Questionaries' distributed and collected by Principal investigator to maintain the quality of the data, Incompleteness of the data was checked and appropriate explanation and clarification where made by principal investigator at the time of data collection.

ii. **Interview**

After completing distribution and collection of the questionnaires the next step was prepare an interview with persons who are working on human resource and monitoring and evaluation personnel. An interview guide consisting of structured questions was designed and administered to the selected staff of the organization. Interview where prepared by principal investigator based on the research question, the Interview participant where selected based on their knowledge and position since they can contribute appropriate information for this research. Face to face interview where conducted at the respondents office and all information where appropriately recorded.

iii. **Document Analysis**

Document review was conducted to provide institutional knowledge and documented facts on employee performance manual in the past year. This facts included organization background and policies concerning performance management and benefits administration, records of previous performance, and employee turn-over.

3.5 Quality control

All data collection instrument where pre tasted among four respondents and made appropriate modification in order to maintain the quality of the data. All the data were collected by the principal investigator and all the collected data appropriately complied.

3.6. Data Analysis Techniques

In the study after both qualitative and quantitative data was collected, quantitative data was classified according to the properties that characterize each of them and the data was analyzed by using Microsoft EXCEL. Respondents' total scores and percentages was used to analyze data. Respondents' scores were presented in descriptive statistics using tables and percentages.

3.7 Ethical Considerations

The subjects in this study will not require using their names or providing any form of identification, Full consent of all respondents was sought before the questionnaires will be administered. All subject is assured of total confidentiality and the collected data is used for research purpose only. The study did not create any form of risk to participants or cause any form of anxiety.

Chapter Four: Data Presentation, Analysis and Interpretation

In this chapter data collected through questionnaire, interview, and document review presented, analyzed and interpreted in a brief and organized way.

4.1 Demographic characteristics of the respondents

In this section, the general background the respondents of the study is summarized by focusing their gender, age group, educational status, and years of service.

Table 1 Demographic characteristics of respondents

Gender		Frequency	Percentage
Gender	Male	26	79
	Female	7	21
Total		33	100
Age Group			
		Frequency	Percentage
Age	Less than 20	0	0
	20-35	7	21
	36-50	21	64
	50 and above	5	15
Total		33	100
Educational Status			
		Frequency	Percentage
Educational status	Certificate	0	0
	Diploma	5	15
	BA degree	26	79
	Masters	2	6
	PhD	0	0
Total		33	100
Year of service			
		Frequency	percentage
Year of service	Less than 1 year	0	0
	1 to 5 years	7	21
	6 to 9 years	9	27
	More than 9 years	17	52
Total		33	100

Source: survey data 2016

From the above table the gender distributions of the respondents, gender frequency distribution shows that the majority of respondents were males at 79% while 21% were females. This tentatively implies that APAP employed mainly more male than female, this implies that there is high gender imbalance in the organization

The next one is age group of the respondents, the larger portion of the respondents that is 64% falls within the age group of 36 to 50, and Respondents of age group 50 and above contain the least number of respondents, which are 15%, while 21 % of the respondents age between 20-35 and there is no any employee below 20 years this implies that the organization position filled more younger and productive manpower.

Regarding the educational status of the respondents, staffs who are degree graduates have the largest portion which is around 79%, among the total respondents, 15% of them have diploma, and 6% are graduated with master's degree. From the above table we can see that no one from the selected respondents have PhD and certificate.

Table 4 shows the respondent's work experience in the organization. The results indicates that majority were in the category of more than 9 years represented by 52% of the total respondents.27% were in the category of 6 to 9 years, and 21 % in 1 to 5 years no one from the selected respondent less than 1years.majority was more than 5 year experience, they had relevant information needed for this study as individuals who had stayed in one place.

4.2 Analysis and interpretation of PMS and reward practice in APAP

4.2.1 Employee performance management

Table 2 Purpose of Performance Management

Are you clearly aware of the purpose of Performance Management System	Frequency	Percentage
Yes	25	76
No	8	24
Total	33	100
Do you understand your performance targets clearly	Frequency	Percentage
Yes	19	58
No	14	42
Total	33	100

Source: survey data 2016

The above table 2 shows that 76% of employee clearly aware the purpose of performance management practice in the organization as they understand as an improving the performance of individuals and team in order to increase the performance of the organization and in order to achieve the objective of the organization. The remaining 24% of employee does not have clear knowledge about the purpose of performance management practice. This shows that majority of

the employee have enough knowledge regarding performance management system but some employee does not have a clear understanding about the purpose of performance management practice they assume it is fiscal year end formality to rate the individual performance.

The next point is about performance target, 58% of respondent agreed that they understand their performance targets clearly while 42 % respondent not understand their performance targets clearly. This implies that more than half employee in the organization has well informed employees who understand their job expectations, if every employees understand their job expectation it is a base for   the organization to achieve its objective.

Table 3 Employee performance management

	SA=strongly Agree, A=Agree, NAD=Neither Agree or Dis Agree, D=Dis Agree ,SD=Strongly Dis Agree	SA		A		NAD		D		SD	
	F=frequency p=percentage	**F**	**P**	**F**	**P**	**F**	**P**	**F**	**P**	**F**	**P**
1	There is a clear employee performance management plan in the organization	5	15	20	61			8	24		
2	My performance targets are realistic			16	49	10	30	7	21		
3	Goal setting is carried out with the discussion between the employee and the supervisor			6	18	4	12	15	46	8	**24**
4	While setting a goal my supervisor clearly tell me the expectation from my performance			11	33			16	49	6	**18**
5	Receive necessary information to perform job duties sufficiently			11	33			16	48	6	18
6	My supervisor helps me to understand how I am doing			9	27			20	61	4	12
7	I understand how my performance is evaluated			14	42			10	30	9	28
8	My supervisor is honest and fair in my performance review			11	33			17	52	5	**15**
9	I am informed and reach on an agreement with my supervisor about the standards that will be used to evaluate my work			7	21			26	79		
10	I receive sufficient feedback on my performance from my manager			10	30			20	61	3	9
11	The performance management system needs to be improved	20	61	12	36	1	3				

Source: survey data 2016

In the above table 4 regarding employee performance management plan in the organization, 15% of the respondents strongly agreed that there is clear performance management plan in the organization,61 % of the respondents agree, while 24 % of the respondents dis agree that there is no a clear employee management plan in the organization. From the above respondents response majority of employee replied that there is clear performance management plan in the organization, if there is a clear employee management plan in the organization it is helpful to the employee in order achieve its performance target. The next point is about performance target. 49% of the respondents agreed that performance targets were realistic, 30 % indifferent while 21% disagree that the performance targets were not realistic.

The next point is about goal setting 46 % of the respondents dis agreed that there is no any discussion between employee and the supervisor when goal setting is carried out, 24 % strongly dis agree, 18 % of the respondents Agreed that Goal setting is carried out with the discussion between the employee and the supervisor while 12% of the respondents indifference weather any discussion is made or not during goal setting. In addition to this 49% of the respondents dis agreed that While setting a goal my supervisor does not clearly tell me the expectation from my performance, while 33 % of the respondents While setting a goal my supervisor clearly tell me the expectation from my performance, while 18 % of the respondents strongly dis agree.

 Access to information is also an important aspect in empowering employees. 48 % of the respondents dis agreed that they didn't receive necessary information to perform job duties sufficiently 33% of the respondents s agreed to receive necessary information to perform job duties sufficiently, while the remaining 18% of the respondents strongly dis agree I don't receive necessary information to perform job duties sufficiently, from the above response majority of respondents dis agree to receive necessary information to perform job duties sufficiently, the access of information is important for empowering employee but the organization does not give attention based on the above evidence. In addition to this 61 % of the respondents dis agreed that my supervisor does not helps me to understand how I am doing, 27 % of the respondents agreed that, my supervisor helps me to understand how I am doing and the remaining 21 % of the respondents strongly dis agree

Regarding their understanding of performance evaluation 42 % of the respondents Agree I understand how performance is evaluated, 30 % of the respondents dis Agree I don't know how my performance is evaluated while 28 % of the respondents strongly dis Agree and in addition to this 52 % the respondents dis Agreed that my supervisor is not honest and fair in my performance review, 33 % agreed that that my supervisor is honest and fair in my performance review, while the remaining 15 % the strongly disagree .

 The next point about an agreement with supervisor about the standards that will be used to evaluate work 79 % of the respondents dis agreed that I am not well informed and doesn't reach on an agreement with my supervisor about the standards that will be used to evaluate my work, while 21 % of the respondents agreed that I am informed and reach on an agreement with my

supervisor about the standards that will be used to evaluate my work. Feedback is very important in the performance management practice 61 % of the respondents dis agree ,I am not receive sufficient feedback on my performance from my supervisor, 30 % of the respondents agree, I am receive sufficient feedback on my performance from my supervisor   the reaming 9%   of the respondents strongly dis agree.

The last point in the table is about whether the current performance management system need improvement or not from the total respondent 61 %   strongly agree performance management system needs to be improved, 36 % of the respondents Agree, performance management system needs to be improved and the remaining 3% indifference. From the above response rate we can conclude that almost all employee in the organization are not satisfied with the existing performance management system.

Table 4 Satisfaction of employee with the current performance management system

Are you satisfied with the existing Performance Management System	Frequency	percentage
Yes	7	21
No	26	79
Total	33	100

Source: survey data 2016

From the above table 79 % of the respondents are not satisfy with the current performance management system, the remaining 21 % of the respondents are agree with the current performance management system. Majority of the respondents does not satisfy with the current performance management system, they replied that we don't have get any benefit   with the current performance management system, after performance evaluation there is nothing new with high performer and low performer, or there is no promotion, salary increment or other benefit for high performer   and there is no any penalty or demotion to low performer, the organization evaluate the performance of employee only for year-end formality.

During the interview the executive director of the organization says that that we are taking a number of measures to ensure the implementation of our PMS like review employee's performance through their departments to identify performance gaps and to fill it. But a number of factors particularly the challenges that surrounds the civil society sector/ the 30/70 directive/ would not allow us to consistently pursue institutional objectives in this regard. We could not manage to allocate the necessary resources/ both human and financial/ to handle such cumbersome task like PMS, and also he believe that PMS had contributed a lot in the past in the

efforts to ensure efficiency and effectiveness of both employees and work units of the organization. We have been implementing our PMS systems consistently and observed tangible results in terms of improvement in achievements both at individual and team levels.

During the implementation of performance management system in there were some problem related to the availability of skilled personnel and financial resource including in adequate training and resistance to change, lack of adequate HRM support and clear knowledge of PMS.

The other problem in implementation of performance management practice is 70:30 directive a mandatory requirement that in a budget year, only a maximum of 30% of the expenses of any charity or society shall be allotted to administrative activities and a minimum of 70% for its operational cost. Such requirement does not have flexibility notwithstanding the nature of the organization or the type of projects and failure to observe such requirement would entail criminal liability that is punishable with fine against the organization and against the officer. The first one is related to program and administrative expense ,Administrative cost constitutes those costs incurred for emoluments, allowances, benefits, goods and services, traveling and entertainments necessary for the administrative activities of a charity or society. It means only 30% of the organization's annual budget shall be allocated for all such purposes and this amount is not enough to give benefits or other incentives like training and capacity development of their employees

The definition of administrative cost, however, begs a question whether it is limited to administrative staff or includes salaries of program staffs. Many argue that expenses incurred in relation to administrative activities should be separated from program costs, and only those activities that are purely administrative shall be charged from administrative cost. But the charity or society organization include all program and administrative staff salary and per dim and other benefit include in administrative expense in this concept it is difficult to the organization to spend more benefit to the employee otherwise the organization can't fulfill 70:30 rue the Charities and Societies Agency

one of the controversial legal regime enacted by the regulatory body of the CSO sector namely the Charities and Societies Agency , the legal regime law especially allocation of funds for operational and administrative expenditures has immensely affected the human resource

management of the organization . More specifically CSOs are confronted with a number of challenges pertaining to the management and administration of their employees. For instance our organization are forced to downsize their human resource in spite of the fact that the current human resource size is commensurate with the volume of tasks the organization planned to execute within a given planning period. This is because it might be difficult for our organizations to comply with the requirements of the directive. More specifically since monitoring and evaluation expenditures are categorized to be administrative expenditures it become difficult for the institutions to assess performance of employees in the execution of assigned roles and responsibilities either operational and administrative related ones

It is to be noted that one of the means through which an organization ensure improved performance is by provision of different fringe benefits or other incentives like training and capacity development of their employees. Yet the legal regime has created difficulties in putting in place such vital encouraging/motivating mechanisms for their employees.

It has become also impossible to ensure division of labour in the institutions and most of the organizations are following the approach of assigning multiple tasks for a single employee and this by itself is adversely affecting the efficient execution of the various engagements of members of the civil society. This is opted for in our organization so as to minimize statutory benefits for their staff like contribution of provident fund, medical insurance etc.

The frequency of periodic monitoring and evaluation on staff performance by the management has also been drastically reduced for compliance with the requirements of the directive.

Furthermore periodic salary increment policies of the organization has not been implemented like previous years and this by itself has its own impact on the performance of the employee of the organization

4.3 Performance Appraisal

Table 5 Performance Appraisal

	SA=strongly Agree, A=Agree, NAD=Neither Agree or Dis Agree, D=Dis Agree ,SD=Strongly Dis Agree	SA		A		NAD		D		SD	
	F=frequency p=percentage	**F**	**P**	**F**	**P**	**F**	**P**	**F**	**P**	**F**	**P**
1	There is a regular performance appraisal in the organization.	6	18	25	76			2	6		
2	The system reinforces the positive key behaviors of job performance.			7	21			14	42	12	36
3	My performance appraiser has the capacity to appraise performance.			10	30			12	37	11	33
4	The appraisal practice is uniform for all work units and employees.	10	30	17	52	6	18				
5	I am satisfied that my supervisor listen to me during the formal performance appraisal review.			10	30			14	43	9	27
6	I feel that performance appraisal review important for personal development and growth.			5	15			16	48	12	36
7	Performance Appraisal has contributed to my overall performance.			2	6	5	15	14	42	12	
8	I receive performance appraisal feedbacks on time and fair manner.			5	15			21	64	7	21
9	I am satisfied with the current performance appraisal system.			7	21			16	48	10	30

Source: survey data 2016

Performance appraisal is among integral aspects of managing performance. The first point is whether performance appraisal is a regular practice in the organization, 76% of the respondent Agreed that performance appraisal is a regular in the organization , 18 % of the respondent strongly agree , while the remaining 6% of the respondents dis agree there is no is a regular performance appraisal in the organization. More than 94 percent of respondents replied that appraisal is a regular practice. The organization operational manual Policies indicate that appraisal is done once a year i.e. on December.

Survey was made if it reinforces positive behaviors of job performance. 42% of the respondents dis agree it doesn't reinforces positive behaviors of job performance,36 % of the respondents strongly dis agree   it doesn't reinforces positive behaviors of job performance while 21 % of the respondents agree it reinforces positive behaviors of job performance. From the total response we can conclude that about 78 % of respondents in the in the organization replied that it doesn't reinforce positive job behaviors.

Another aspect in appraisal is capacity to appraise, 37 % of the respondents dis agreed that performance appraiser has no sufficient the capacity to appraise performance, 33 % of the respondents strongly dis agree while 30% of the respondents agreed that performance appraiser has the capacity to appraise performance, from the total response we can see that 70 % of the respondents replied that performance appraiser has no capacity to appraise performance.

The other point is about weather appraisal practice is uniform for all employees 52 % of the respondents agree The appraisal practice is uniform for all employees, 30% of the respondents strongly agree The appraisal practice is uniform for all employees while 18 % of the respondents indifference weather   the appraisal practice is uniform for employees   or not. From the total response 82 % replied that there is no separate appraisal practice in the organization the appraisal practice is the same to all employee.

The next point is Satisfaction with supervisor during the formal performance appraisal review, 43% of the respondents dis agree, they are not satisfied with the manager during the formal performance appraisal review he doesn't listen during the formal performance appraisal review, 30 % of the respondents agree, they are satisfied with the supervisor during the formal performance appraisal review he listen during the formal performance appraisal review, while 27 % of the respondents strongly dis agree, from the above evidence shows that more than 70% of the employee replied that they are not satisfied with the supervisor during the formal performance appraisal review he doesn't listen during the formal performance appraisal review

The other point is about The use performance appraisal review for personal development and growth, 48 % of the respondents dis agree, performance appraisal review is not important for personal development and growth, 33 % of the respondents strongly dis agree while 15% of the respondents agreed that , performance appraisal review it is important for personal development and growth. The other point is about contribution of performance Appraisal for the overall performance of employees it shows that 42 % of the respondents dis agree , there is no any contribution to my overall performance, 36 % of the respondents strongly dis agree, 15% of the respondents indifferent weather performance Appraisal has contributed my overall performance or not , while the remaining 6% of the respondents agreed that   performance Appraisal has contributed for their overall performance. Majority of the respondents replied that Performance management does not have any contribution to their performance, they assume that performance evaluation is a year-end formality.

Giving feedback is also integral part of performance appraisal. Surveys was made if employees receive appraisal feedback on time and fairly manner. 64 % of the respondents dis agreed that , they are not receive performance appraisal feedbacks on time and fair manner, 21 % of the respondents strongly dis agree, while the remaining 15 % of the respondents agreed that we are receive performance appraisal feedbacks on time and fair manner

Lastly, the survey concerned with employees satisfaction with the existing performance appraisal practice. 49 % of the respondents dis Agree, they are not satisfied with the existing performance appraisal practice   30 % of the respondents strongly dis Agree, while 21 % of the respondents Agree, they are   satisfied with the existing performance appraisal practice.

4.4 Reward practice

Reward practice deals with the strategies, policies and processes required to ensure that the contribution of people to the organization is recognized by both financial and non-financial this recognition lead to improve the performance of employee

Table 6 Rewards practice 1

	F=frequency , P= percentage	Yes		No	
		F	P	F	P
1	**Do you think is it important to have performance based rewards in your organization?**	29	88	4	12
2	**Is there any salary increment in your organization?**	26	79	7	21
3	**was the last salary review conducted based on employee performance**	9	35	17	65
4	**Is there any employee benefits that do not have included in the current benefit package?**	17	52	16	48

Source: survey data 2016

The above table shows that, 88% of respondents agree it's important to have performance based rewards in the organization while the remaining 12% of respondents does not agree, they don't have any importance to have performance based rewards in the organization, when employee are rewarded for their performance it brought in a sense of fairness that their efforts are paid for thus making them to perform better. When the organization give such rewards, they feel the efforts are compensated for and also it is useful to the development of the organization and is important as it enables the organization ensure effectiveness and efficiency of each employees performance

The next point is about salary increment, 79 % of the respondents agreed that there is salary increment in the organization, but 21 % replied that there is no any salary increment in the organization, in addition to this 65 % of the respondents are replied that the salary increment was not based on the employee in the organization while the remaining 35 % of the respondent agree that their last salary review was conducted based on employee performance. Salary increment was made before five year and the increment based on the organization salary scale not based on employee performance, the increment was not sufficient. These responses imply that employees in the organization are not satisfied with their current rewards package to a large extent. This is one of the reasons that can be attributed to the incremental of employee turnover.in addition to this 52 % of the respondents agreed that there are some benefits they don't have incorporated in their current package while 48 % were of different opinion that the current package is incorporated all employee benefit, during the interview majority of the respondents replied that even the incorporated benefit not given to the employee properly this is the major problem of employee dissatisfaction.

Table 7 reward practice 2

	SA=strongly Agree, A=Agree, NAD=Neither Agree or Dis Agree, D=Dis Agree ,SD=Strongly Dis Agree	SA		A		NAD		D		SD	
	F=frequency p=percentage	F	P	F	P	F	P	F	P	F	P
5	My current salary is commensurate to my skills and level of experience			15	45			11	33	7	21
6	I feel am being paid affair amount for the work I do			9	27			14	43	10	30
7	I understand the link between my performances and my pay					10	30	15	46	8	24
8	Current employment benefit package is fair and equitable			5	15	1	3	11	33	16	48
9	My organization is among the better paying in the local NGO sector.			6	18			22	67	5	15
10	Recognition exist for batter performance of the employee			2	6	6	18	11	33	14	43

The first point is about weather current salary is commensurate to the employee skills and level of experience or not 45% of the respondents agreed that their current salary is commensurate to their skills and experience, 33 % disagreed that their salary was not commensurate to their skills and experience, while 21% strongly disagreed that their salary was not commensurate to their skills

and experience. In addition to this 43% of the respondents dis agreed that I am not feel being paid a fair amount for the work I do, 30 % of respondents strongly dis agree while 27% of respondents agreed that I feel am being paid a fair amount for the work

The next point is about understanding of the link between performances and pay, 46% of the respondents replied that there is no the link between employee performances and pay, 30% of the respondents are indifference weather it has link between employee performances and pay and the remaining 24 % of the respondents strongly dis Agree From the above response we can conclude that majority of the respondents replied that there is no link between performance and pay in the organization. In addition to this 48% of the respondents strongly disagreed that the current benefits package where not fair and equitable for the work , 33% of respondents dis agreed that the current benefits package where not fair and equitable for the work , 27% of respondents agreed that the benefits package were fair and equitable while 3% of the respondents indifference weather the current benefits package fair and equitable or not.in addition to this 67% of the respondents disagreed that their organization is not among the better paying organization in the local NGO sector, 18 % agreed, that their organization is among the better paying organization in the local NGO sector while 15 % of the respondents strongly dis agreed that their organization is not among the better paying organization in the local NGO sector. From the above response we can see that the level of motivation within the organization seems to be very low because 82 % of the respondents assumes the organization are not batter paying compared with similar organization.

The last point is about the existence of recognitions for better performance of employees. 43 % of respondents strongly dis agree that better performance is not provided with recognitions, 33 % of respondents s dis agree, 18 % of the respondents not indicate weather recognition exist for batter performance or not, while 6 % of respondents agreed that better performance is provided with recognitions.

4.5 Training and development

Training and development is one of the imperatives of human resource management as it can

improve performance at individual, departmental and organizational levels.

Table 8Training and development

	SA=strongly Agree, A=Agree, NAD=Neither Agree or Dis Agree, D=Dis Agree ,SD=Strongly Dis Agree	SA		A		NAD		D		SD	
	F=frequency p=percentage	F	P	F	P	F	P	F	P	F	P
1	The organization has clear career path that allows employees to grow			9	27			13	39	11	33
2	The organization offer me the training I need to help me on my job					3	9	18	55	12	36
3	My chances of promotion are dependent on the level of skills and experience I have acquired			7	21	2	6	24	73		
4	The organization provide a variety of training opportunity for employee					4	12	17	52	12	36

Source: survey data 2016

The first point is about the employee career path to grow, 39% of the respondents dis agreed that the organization has no clear career path, 33% of the respondents strongly dis agree, and while 27 % of the respondents agreed that the organization has a clear career path.

Training is important to develop their skill and ability, 55% of the respondents dis agreed that the organization doesn't offer me training when I am needed, 36% of the respondents strongly dis agree while the remaining 9% of the respondents indifference, the above response shows that no one can say the organization offer me training when I am needed,   majority of the employee replied that the organization doesn't offer training to the employee when the employee wants to develop their experience and knowledge related to their job.

 The other point is chance of promotion in the organization 73 % respondents dis agreed that chances for promotion were not depend on level of skills and experience acquired, 21% agreed that chances for promotion where based on skills and experience acquired while 6% of the respondents indifference   weather the promotion is depend on skill and experience or not.

The last one is about training opportunity of the employee 52% of the respondents dis agreed that the organization doesn't have a variety of training opportunity for employee, 36% of the respondents strongly dis agree,   and while the remaining 12 % of the respondents indifference.

Table 9Annual employee training plan

The organization has an annual employee training plan	Frequency	Percentage
Yes	4	12
No	29	88
Total	33	100

Source: survey data 2016

From the above table 88 % of the respondents replied that there is no annual employee training plan in the organization, while 12 % of the employee give the opposite response there is a training plan in the organization. But during the interview the they replied that there is no any training program or schedule in the organization, in the future A clear yearly plan that takes into account the annual plan of the organization should be designed and consistently implement by the organization

4.6 Employee motivation

Motivation enhances employees moral for creativity and competition, creative mind innovates improve productivity/service quality which as a result brings about maximizing efficiency and effectiveness, which eventually brings about the attainment of organizational goals.

Table 10 Employee motivation

	SA=strongly Agree, A=Agree, NAD=Neither Agree or Dis Agree, D=Dis Agree ,SD=Strongly Dis Agree	SA		A		NAD		D		SD	
	F=frequency p=percentage	F	P	F	P	F	P	F	P	F	P
1	I enjoy doing my work			13	39			15	45	5	15
2	I only do the minimum required in order to keep my job			7	21			19	79		
3	My work is interesting and challenging			12	36	7	21	14	43		
4	The work I do has so many controls that it leaves no room for individual creativity					2	6	20	61	11	33
5	Any time am absent from work I feel very disappointed and disturbed			5	15			26	79	2	6
6	I always accomplish my tasks efficiently and effectively	2	6	25	76			6	18		
7	I always extend a helping hand to my colleagues when they have more tasks than they can handle	7	21	22	67	4	12				

Source: survey data 2016

The first point their enjoyment in the work is about 45 % of the respondents dis agreed that they didn't enjoy on their work, 39 % of the respondents agreed that they enjoy on their work while 15 % of the respondents   strongly dis agree. Similarly when asked if they do minimum work to

sustain their jobs 79% of the respondents dis agreed that they are not doing minimum work to sustain their jobs, 21% of the respondents agreed that they are doing minimum work to sustain their jobs

When asked if work was interesting and challenging 53 % of the respondents dis agreed that my work is not interesting and challenging ,36% of the respondents agreed that my work is interesting and challenging , while 21 % of the respondents indifference weather the job interesting and challenging or not.in addition to this 61% of the respondents dis agreed that there is so many control and it is not open for individual creativity, 33 % of the respondents strongly dis Agree while 6% of the respondents indifference. And also 79 % of the respondents dis agreed that when am absent from work I don't disturbed rather I feel happy, 15 % of the respondents agreed that when am absent from work I feel very disappointed and disturbed while 6 % of the respondents strongly agree.

The next point is about accomplishment of tasks efficiently and effectively 76 % of the respondents agreed that they always accomplish their tasks efficiently and effectively, 18 % of the respondents dis agreed that always they can't accomplish my tasks efficiently and effectively 6 % of the respondents strongly agree

The last point is about helping each other, Most of the employees also take up additional duties at their own initiative is 67% while 21 % strongly agreed that they extend a helping hand to their colleagues and the remaining 12 % of the respondents dis agreed that they didn't extend a helping hand to their colleagues.

Finally during the interview all respondents' replied that present we can't say that APAP is successfully implementing PMS due to a number of reason most of them are associated with lack of the necessary resources to implement the systems at the desired level this is because of civil society sector 30/70 rule.

Chapter Five: conclusion and Recommendation

In the previous chapter, analysis of data and interpretation was made from information obtained through questionnaire and an interview conducted and document from Action Professional Association for the people. Based on the analysis of the finding conclusion and recommendations of the study were made as follows.

5.1 Conclusion

- Some respondents claimed that they were neglected in informing the purpose and process of performance management system but majority of the respondents have sufficient understanding about the purpose of performance management.

- Supervisor do not help the employee to do their job in an effective and efficient manner and not honest and fair in performance review and also Sufficient feedback are not given to the employee in addition to this almost all employee replied that the current performance management need to be improved they are not satisfy with the existing performance management system.

- Majority of the respondent replied that they are not satisfied with the current performance appraisal practice because they not receive performance appraisal feedbacks on time and fair manner.

- Information generated through performance appraisal is used in the organizations at low level in order to determine warnings about their unsatisfactory performance and to help supervisors to make decisions of retention or discharge, and for satisfactory performance there is no promotion or recognition.

- Benefits and rewards the organization decrease time to time. Employees of the organization feel that payments they earn are lower than other similar organization, and some employee believe they could earn better if they leave this organization.

- Before 2008 APAP there were a variety of models for recognizing employees on the basis of the quality of their performance. Among the models included paying employees, wholly or partially, on the basis of the quality of their performance.

- a mandatory requirement that in a budget year, only a maximum of 30% of the expenses of any charity or society shall be allocated to administrative expense, administrative expense constitutes those costs incurred for allowances, benefits, salary, training and

development and other HR activates of a charity or society. It means only 30% of the organization's annual budget shall be allocated for all such purposes. This is the major problem to the organization to effectively implement PMS,

- It is to be noted that one of the means through which an organization ensure improved performance is by provision of different fringe benefits or other incentives like training and capacity development of their employees. Yet the legal regime has created difficulties in putting in place such vital encouraging/motivating mechanisms for their employees.

- It has become also impossible to ensure division of labour in the organization and most of the organizations are following the approach of assigning multiple tasks for a single employee and this by itself is adversely affecting the efficient execution of the various engagements of the organization.

- The frequency of periodic monitoring and evaluation on staff performance by the management has also been drastically reduced for compliance with the requirements of the directive.

- There is no Salary increment in the organization, the last increment was made before five year and the increment was not sufficient, and the organization salary scale compared to other organization is very low and there is no overtime payment in the organization.

- the incorporated benefit not given to the employee properly this is the major problem of employee dissatisfaction for example medical allowance, uniform, shoes, and cleaning material are included in the current benefit package of the organization but from the beginning of this year all the above benefits are not given to the employee.

5.2 Recommendations

Based on the major findings of the study and the conclusions drawn, the researcher recommend the following points to by dividing sort and long term action improve performance management and rewarding system for the better operation and growth of the organization

Short term Action

- When it comes to managing the performance of employees, all staffs have its own responsibility and accountability to the development of the organization, as a result, APAP should give attention to all staff by making them aware of the purpose and process of performance management system to participate efficiently in the system.

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

- APAP should give training to the employees to know what is to be assessed and how it is to be assessed which must be within the control of an employee and on the agreed points during planning stage. This will help to reduce employees" defensive behavior not to accept the evaluation result because the evaluation is based on what they are accountable for.

- The organizations need to use the performance appraisal to strengthen the relationship between the supervisor and subordinate by implementing motivational scheme, creating transparency, avoiding bias, and improving employee's attitude by giving training and development, Creating transparency within the system of PA, attaching the PA with motivations, and providing training to both supervisor and subordinate can create an inviting atmosphere of working system.

Long term Action

- Performance-based rewards improve the governance of employee by increasing the efficiency of resource allocation, administrators or the manger should be trained and sensitized about the value of performance-based rewarding systems. They should be made aware that pay motivates employees to perform at their best. This means that to implement a performance-based scheme, administrators should not perceive the process of performance-based financial incentives as being expensive and time consuming, but rather, it increase efficiency and effectiveness of the employee in order to achieve the organization goal

- The organization should try to see their payment scale against other similar organization and should review its salary scale. If they are paying below other similar organization, they are recommended to make adjustments, and the organization should be include medical allowance and review overtime payment because majority of the employees are dissatisfy with the action of the organization, and it is batter the organization include education opportunities for outstanding workers in the organization

- The charity or society agency should be follow the General Accepted Accounting Principle regarding classification of program and administrative expense because it is difficult to the organization to meet charity or society agency 70:30 rule

- To change the attitude of employee's about the implementation and process of performance management system, APAP should have to organize a training for employees to know about the benefits of performance management system, why evaluation is needed, for what purpose does it serve and the evaluation procedures

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Appendix A: Letter of Transmittal

Saint Mary University
Masters of Business Administration
Questionnaire
Name: Jemal Assen

Dear all, The purpose of this questionnaire is to collect primary data for conducting a study on the topic, "to Assess the impact of Performance Management system and reward practice on employee satisfaction in Action Professional Association for the People" as partial fulfillment of master's degree in Business administration in saint mary university" I am inviting you to participate in this research project by filling out a short research questionnaire attached herewith. I kindly request your time to provide me with reliable information so that the findings of this study would meet the intended outcome. I would like to thank your voluntary participation for the success of my research success.

If you have any questions or concerns about completing the questionnaire or about being in this study, you may contact me through my phone provided below I greatly appreciate your participation in this endeavor.

Sincerely, Jemal Assen

0920722241

Appendix B: Demographic characteristics

To select your responses, check (tick) the option applicable to you

1. Gender:

      a) Male   b) Female

2. In which age group do you fall?

      a) Less than 20   b) 20-35

      c) 36-50   d) 50 and above

3. What is your educational status?

      a) Certificate   C College Diploma

      b) BA Degree   (D) Masters   (E) PHD

4. Years of service in APAP:

      a) Less than 1 year   b) 1 to 5 years

      b) 6 to 9 years   d) More than 9 years

Appendix C: Main Research Questions

The questions below ask about your performance management system, Select the option that most represents your opinion on each of the following statements and in some cases please explain your responses

Employee Performance management

1. Are you clearly aware of the purpose of Performance Management System which is

Implemented by your organization?

      a)Yes   b) No

If yes, what is the purpose of Performance Management System in APAP?

_____

_____

_____

2. Do you understand your performance targets clearly?

      a)Yes   b) No

Please explain your answer

_____

_____

_____

s.no	SA=strongly Agree, A=Agree, NAD=Neither Agree or Dis Agree, D=Disagree ,SD=Strongly Dis Agree	SA	A	NAD	D	SD
1	There is a clear employee performance management plan in the organization					
2	My performance targets are realistic					
3	Goal setting is carried out with the discussion between the employee and the supervisor					
4	While setting a goal my supervisor clearly tell me the expectation from my performance					
4	Receive necessary information to perform job duties sufficiently					
5	I understand how my performance is evaluated					
7	I understand the link between my performances my and pay					
8	My supervisor is honest and fair in my performance review					
9	My supervisor helps me to understand how I am doing					
10	I receive sufficient feedback on my performance from my manager					
11	I am satisfied with the current performance management system					
12	The performance management system needs to be improved					

16. Are you satisfied with the existing Performance Management System?

        a) Yes b) No

Please explain your answer

_____

_____

_____

_____

Performance Appraisal

No	SA=strongly Agree, A=Agree, NAD=Neither Agree or Dis Agree, D=Disagree ,SD=Strongly Dis Agree	SA	A	NAD	D	SD
1	There is a regular performance appraisal in the organization					
2	The system reinforces the positive key behaviors of job performance					
3	My performance appraiser has the capacity to appraise performance					
4	The appraisal practice is uniform for all work units and employees					
5	I am required to sign on the appraisal form prior to the formal prior to the formal performance appraisal review					
6	I fell positive/ motivated after my performance appraisal review					
7	I am satisfied that my manager listen to me during the formal performance appraisal review					
8	I feel that performance appraisal review important for personal development and growth					
9	I am satisfied with the current performance appraisal system					

Rewards policy

1. Do you think is it important to have performance based rewards in your organization?

        a)Yes   b) No

Please explain your answer

_____

_____

_____

_____

2. Is there any salary increment in your organization?

        a)Yes   b) No

3. If the above question is yes, was the last salary review conducted based on clear policy   guidelines?

        a)Yes   b) No

Explain your answer

_____
_____
_____
_____

4. Are there any employee benefits that do not have included in the current benefits package?

        a)Yes   b) No

If yes explain your answer.

_____
_____
_____
_____

	SA=strongly Agree, A=Agree, NAD=Neither Agree or Dis Agree, D=DisAgree ,SD=Strongly Dis Agree	SA	A	NAD	D	SD
6	My current salary is commensurate to my skills and level of experience					
7	I feel am being paid a fair amount for the work I do					
8	current employment benefit package is fair and equitable					
9	My organization is among the better paying in the local NGO sector.					
10	Recognitions exist for better performance of employees					

Training and development

No	SA=strongly Agree, A=Agree, SA=Somewhat Agree,, D=Disagree ,SD=Strongly Dis Agree	SA	A	SA	D	SD
1	The organization has clear career path that allows employees to grow					
2	The company offer me the training I need to help me on my job					
3	My chances of promotion are dependent on the level of skills and experience I have acquired					
4	he company provide a variety of training opportunities for employee					

	Employee motivation					
1	I enjoy doing my work					
2	I only do the minimum required in order to keep my job					
3	My work is interesting and challenging					
4	The work I do has so many controls that it leaves no room for individual creativity					
5	Any time am absent from work I feel very disappointed and disturbed					
6	I always accomplish my tasks efficiently and effectively					
7	I always extend a helping hand to my colleagues when they have more tasks than they can handle					

9. The organization has an annual employee training plan.

    a) Yes   b) No

If YES do you think it is appropriately implemented?

    a) Yes   b) No

Please explain your answer

_____
_____
_____
_____

If NO what do you think can be done to improve its implementation? , please explain

_____
_____
_____
_____

Interview question

1. Does the specific job performed by an individual is linked with the strategic objective of the organization?
2. What is the major problem during the implementation of performance management system in your organization?
3. What are the actions you are undertaking to improve performance at employee, department and organizational level?
4. Does Performance Management System bring the desired outcome to APAPP? If yes, discuss how tangible results were observed?
5. Could it be possible to say that APAP has successfully implemented Performance Management System?
6. What is the main challenge to implement performance based reward in the organization?
7. If anything you would like to say