ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

ASSESSEMENT OF PERFORMANCE MANAGEMENT SYSTEM AND PRACTICE; THE CASE OF COMMERCIAL BANK OF ETHIOPIA SOUTH ADDIS ABABA DISTRICT BRANCHES

BY

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A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION IN GENERAL MANAGEMENT

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APPROVED BY BOARD OF EXAMINERS

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ACKNOWLEDGEMENTS

ACRONYMS

PM   :   Performance Management

PMS ;   Performance Management System

HRM ;   Human Resource Management

BSC ;   Balanced Scorecard

CBE ;   Commercial Bank of Ethiopia

SAAD ;   South Addis Ababa District

LIST OF TABLES

Abstract

It is not known how and to what extent performance management system is practiced at CBE south Addis Ababa District and its influence on employee improved performance. The main purpose of this study is to assess and describe the performance management practice and its influence on employee performance in commercial bank of Ethiopia south Addis Ababa district branches . The study tries to address the basic questions of how the alignment is made between organizational goal with that of the branch and individual goal, how the planning, execution, assessment and review process was handled.To answer these questions descriptive survey research design has been deployed by using quantitative research approach. The total number of staff at CBE SAAD branches 938 and for this study simple random sampling technique is used by taking(15%) 135 employees to fill in the self developed questionnaire ,and interview conducted to managers of SAAD branches and document review .The data gathered from the questionnaire were compiled by using SPSS software. 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 employees were not involved in the planning stage of performance management, lack of regular feedback, lack of uniformity in gathering information about employee's performance the major problems identified. In order to fill the identified gap, recommendations were forwarded to improve the level of employee's participation in the PMS process, to enhance the awareness of employees about the purpose of PMS, goals should be setted in mutual agreement, management should encourage them development collective planning and decision making practice , letting employees to assess their own performance using self-appraisal method. Finally, it is suggested to make the evaluation criteria to be very objective and conduct the evaluation at the right time .

keywords*; performance , system , evaluation , appraisal ,planning, strategy ,target, bank.*

DECLARATION

I the undersigned, declare that this thesis is my original work, prepared under the guidance of Asst. Professor Goitom Abraham. All sources of material used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of earning any degree.

_____

MELAKU CHAKA   (The Student Researcher)

St. Mary's University, Addis Ababa   June, 2016

ENDORSEMENT

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

<u>Goitom Abraham</u> (Asst.Prof.)   _____

Advisor   Signature

St. Mary's University, Addis Ababa   **June, 2016**

CHAPTER ONE

INTRODUCTION

1.1. BACKGROUND OF THE STUDY.

Among different resources found in every organization, human resources is one of the most important assets responsible to manage like financial, material, technological and other monetary or non-monetary resources. The human resource can be said to be a backbone of any organization in coordinating and controlling the whole activities of the organization directly or indirectly to ensure achievements of organizational goal.

The study is focused on assessing the practice of performance management system. According to Chan and Lynn (1991), the organizational performance criteria should include profitability, productivity, marketing effectiveness, customer satisfaction, but also employee morale. In this perspective, employee performance is tightly related to organizational performance, effective and efficient employee performance will positively influence organizational performance. Organizations are seeking to develop, motivate and increase the performance of their employees in a variety of human resources applications . Thus, performance management should be an important step in the organization's HRM system practice and influences employee performance and then to organizational performance.

Organizations need to establish out strategies for identifying, encouraging, measuring, evaluating, improving and rewarding employees' performance at work. It is ,therefore the need for performance management and appraisal systems have come to play an indispensable role in helping organizations to reach their goals of productivity

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

In an effective performance management system, it is easy for managers to evaluate and measure individual performance and increase productivity by aligning

individual and strategic objective, providing visible and clear performance expectation, documenting individual's performance for future decision and focusing on skill development plan. Having the right performance management system practice is a concern of every organization because it is an important gear of any organization to be a front runner in the market by evaluating and developing employee performance in order to get enhanced organizational success.

The history of commercial bank of Ethiopia (CBE) dates back to the establishment of the state bank of Ethiopia in 1942 and in 1963 CBE was established as a share company. In 1974 CBE merge with privately owned Addis Ababa bank .since then it has been playing a significant role in the development of the country.

CBE is a pioneer to introduce modern banking to the country by opening more than 1,000 branches and 11 million account holders. The is a leading African bank with assets of 31 billion birr as on September 30, 2015 and plays a catalytic role in the economic progress and development of the country.

CBE has a strong correspondent relationship with more than renowned foreign banks and swift bilateral arrangement with more than 700 others banks across the world. The bank combines a wide capital base with more than 25,000 talented and committed employees and also the bank is the first bank in Ethiopia in introducing ATM service for local users with users of active ATM card holders reached one million.

CBE states its vision to become world class commercial bank by the year 2025 and with the mission realize stakeholders' needs through enhancing financial intermediation globally and supporting national development priorities ,through deploying highly motivated ,skilled and disciplined employees and using advanced technology CBE to become world class commercial bank by the year 2025 strategy formulated and implement by aligning the vision with the strategy to enhance the performance of the bank as a whole due to this it is necessary to the assess practice of the PMS.

1.2. STATEMENT OF THE PROBLEM

Performance management is important for an organization, as it helps organizations ensuring employees are working hard to contribute to achieving the organization's mission and objectives. Performance management sets expectations for employee performance and motivates employees to work hard in ways that is expected by the organization. Moreover, performance management system provides a completed and professional management process for organizations to assess the performance results of organizations and employees. Employee performance could be expected, assessed and encouraged. Importance of performance management system is on continuously improving organizational performance, and this is achieved by improved individual employee performance.

In the current competitive market environment among local organizations and the need for national and international competitiveness calls for improved performance of each individual and teams to achieve organizational goals. Without having a high performing employee and units it is difficult for organizations to compete with national and international market. To ensure market competitiveness practicing scientific performance management system is highly desired to develop the capacity of the employees and inspired them to put maximum effort in the realization of organizational goals.

According to Hustled (1995), employees within firms contribute for organizational performance management system practices can affect individual employee performance through their influence over employees' skills and motivation and through organizational structures that allow employees to improve how their jobs are performed. Also, it used labour turnover, productivity as employee performance measurement when test the influence of PMS practices on employee performance.

Based on document review and discussion with employees the organization has problems in execution of performance management system. The practice of the PMS to some extent differs from the concept of PMS. Followings are some gaps and problems in PMS practice.

- There is a problem in target formulation for employees and employees were not included in the target formulation there is no agreement between the management and the employee. Some of the employees are not know about the PMS and what expect from them they did not do their work according to the PMS agreement.

- Targets plan set for the employees but the target set is executed by one dedicated employee and the end result achieved by this employee quarterly distributed to the all employee which is concerned for the task for the appraisal purpose. PMS practice differ from intended from PMS execution.

- The target set by the managements are not agreed with the employee simply the management set the target quarterly and evaluate the performance without the participation of employees in target formulation and evaluations of the performance , the employee signed the plan and appraisal without consent ,all things are done by the will of the management .

- The perception of the employee about performance management is worse .The employee perceived PMS has problem to measure their performance, the result achieved in appraisal not accepted by them also some employees perceive the target set for them is not reasonable .

- The knowledge gap observed on employees of the organization about the PMS .Some of the employees do not know what PMS is.

- PMS of the CBE not liked with financial and non-financial. The organization simply reward annual bonus.

- Through observation and discussion CBE   face a problem of supervision and commitment for successful implementation of PMS .

- Some CBE employees do not have target plan set for their performance.

 Due to these observed problem it is important to assessing the practice of PMS for the successful strategy execution and success of the organization

1.3. RESEARCH QUESTIONS

The following are basic questions for this research on performance management system practice as well as its influence on competency and productivity .

1. Are individual goals and performance objectives aligned with strategic objectives of

   CBE ?

2. Are policy, strategy and employee capacity development schemes clearly known by the work force ?

3.   What extent PMS is understood by employees?

4. How are the planning and execution phases of performance management system carried out at CBE?

5. What is the response of management & employees on the transparent and fair performance review process at CBE ?

1.4. OBJECTIVE OF THE STUDY

The objectives of the research on performance management system (PMS) practice are classified as general and specific objectives.

1.4.1 GENERAL OBJECTIVES OF THE STUDY

The general objective of the study performance management system (PMS) is to assess the practice of the performance management system the case of commercial bank of Ethiopia south Addis Ababa district branches.

1.4.2 SPECIFIC OBJECTIVES OF THE STUDY.

The research study specifically focus on the following objective

+ Investigate the practice of planning and execution phase of performance management system.
+ Assess the alignment of individual goal and performance objectives with the CBE strategic objectives
+ Explore whether the performance management review system is taking place properly or not.
+ Asses the perception of the employees of CBE regarding PMS.
+ Assess the purpose of performance management system in CBE.

1.5   SIGNIFICANCE OF THE STUDY.

The study is important for the organization as performance management system (PMS) is vital for organizational standing .Employee performance is linked with the organizational goals and strategy implementation.

The study on performance management system practice is important for the organization success and to make a decision about the performance of the organization and to undertake corrective measures. Performance management system practices can affect

individual employee performance through skills, motivation, and organizational structures that allow employees to improve how their jobs are performed so that the study will provide vital information regarding PMS practice.

The study also contributes for the researcher in acquiring knowledge and wider understanding about PMS and other perspectives. The study is not restricted with the benefits of the researcher only it will benefit other researcher in providing information and data for who will study further research on performance management system (PMS).

The significance of the study on PMS is not questionable .It will benefit the society in adding awareness about PMS and in how proper implementation of PMS and also based on the study result if the organization make a corrective measure the service delivery of the organization   will become more improved and society will benefit from the study . know a days the performance of organization derived from the performance of the employee   so as to me a proper implementation of performance management system practice has greater effect on the employee performance .

1.6.   SCOPE OF THE STUDY.

The research study conducted to commercial bank of Ethiopia under south Addis Ababa district selected branches based on their service scope and employee number with their service year. the respondents were delimited to 135 due to difficulty to assess all employees and it is sufficient information gathered from the sample to understand the issue .the data collection tools were delimited to questionnaire, interview and data analysis this method suits for the study .The data analysis method used is descriptive and it is suits the study analysis. The district covers the location of south Addis Ababa with 35 branches the study is limited   due to constraints of financial resource, skill and experience.

1.7. ORGANIZATION OF THE STUDY.

The report of this study is organized and presented in to five chapters. Chapter one of deals with background of the study, statement of the problem , basic research questions , objectives of the study, significance of the study and scope of the study and Chapter two deals with related literature. Chapter three describe the type and design of the research methods ,participant of the study ,source of data ,data collection instruments and method of the data analysis. Chapter four summarize the result/finding of the study discuss ,interpretation of the study .Chapter five deals with ,summary of findings ,conclusion ,limitation of the study and recommendation discussed .

CHAPTER TWO

LITERATURE REVIEW

2.1 - CONCEPT OF PERFORMANCE MANAGEMENT

Performance Management is defined by Armstrong (2009:1) as a "systematic process' to improve the performance of a company by developing the individual's and team's performance. For these outcomes to be reached Performance Management should be understood and applied utilising an 'agreed framework of planned goals, standards and competency requirements'. According to Armstrong, today's Performance Management is implemented into organisations through the progression of 'management by objective and performance appraisal that were developed some time ago" (Armstrong, 2009: 2).

The overall technique of Performance Management is employed by line managers on a daily basis rather than as a yearly human resource exercise, hence becoming a 'natural process of management'. Armstrong's overall sense of Performance Management is that it should be an on-going process in organisations having a systematic set of agreed targets and goals that will advance the organisation.

Similarly to Armstrong, Redman and Wilkinson (2009:179) depict that Performance Management is used as a tool to connect the objectives of the organisation to a set of work targets for employees with 'objective setting and formal appraisal' at the core of this process. Performance Management give teams and individuals the responsibility to take liability for their own 'continuous improvement of business processes and of their own skills, behaviour and contributions'. Managers can then converse their viewpoint for the teams and individuals and in return they communicate how they consider them to be managed. Performance Management generally

> /Performance Management should provide a culture within the organisation where exceeded performance is gained from the teams and individuals that have accountability for their own goals and the progression of the organisation under efficient management Focus should be targeted on giving the individuals and teams accurate tasks to be implemented through realistic goals/ (Armstrong, 2006).

It is highly apparent that a common thread can be visualised throughout the various definitions of Performance Management in relation to it being carried out through the

setting of goals and targets for the teams and individuals to meet the overall objectives of the organisation Although the common performance appraisal systems are still apparent in organisations there has been a move to a more integrated management system to comprise all requirements needed to manage the performance of teams and individuals on an on-going basis.

Harvey and Bowin (1996) have referred to performance management as the total system of gathering information, cascaded down to the employees in order to gain the feedback for the benefit and improvement of the organisation.

Dessler (2008, p.289) has defined   performance management as 'the process that unites goal setting, performance appraisal and development into a single common system' whose aim was to ensure that the strategic aim of the firm be fully supported by the employees' performance.

The traditional management control systems have been obsolete because of the inability to provide the relevant information for decision-making . Hence, a new performance management system which could be relevant, timely and able to produce the necessary information has been found to be critical in this information era . There are two major roles for the PM as follows:

Firstly, Performance Management (PM) must ensure that the employees usually follow the policies and procedures at all times in order to protect the interests of the organisation all the time and Secondly, the new PM must have the ability to motivate the employees to act in accordance with the organisational goal.

 Performance management has constituted a process of linking corporate strategies and objectives with the desired performance required by an organisation . Furthermore, efficiency would measure the utilization of resources by the organization while effectiveness measures the customer's requirement and needs which needed to be fulfilled by the organisation.

Comprehensively, Bacal (1999) defines performance management as an ongoing communication process, undertaken in partnership, between an employee and his or her immediate supervisor that involves establishing clear expectations and understanding about the essential job functions of employee are expected to do; how the employee's job contributes to the goals of the organization; what doing the work well means in concrete

terms; how employee and supervisor will work together to sustain, improve, or build on existing employee performance.

2.2. DEFINITION OF PERFORMANCE MANAGEMENT SYSTEM (PMS)

De Walle (2008) . PMS definition as the financial and non-financial information to the management that has led to the managerial action and decision making. PMS has been defined as 'an integrated set of planning and review procedures which cascade down through the organisation to provide a link between each individual and the overall strategy of the organisation. Performance management system is a kind of completed and integrated cycle for performance management.

Similarly from the suggestion of Lawler (2003), the objectives often include motivating performance, helping individuals develop their skills, building a performance culture, determining who should be promoted, eliminating individuals who are poor performers, and helping implement business strategies. The main purpose of the performance management system is to ensure that:

1-.The work performed by employees accomplishes the work of the company.

2. Employees have a clear understanding of the quality and quantity of work expected from them.

3. Employees receive ongoing information about how effectively they are performing relative to expectations.

4. Awards and salary increases based on employee performance are distributed accordingly.

5. Opportunities for employee development are identified.

6. Employee performance that does not meet expectations is addressed.

Developing a performance management system is essential for an organization. Developing a performance management system is classified into a development, planning, managing, reviewing and rewarding phase.

2.3 CHALLENGES OF PMS

First, in the case of public sector, the challenges on the management style of entrepreneurship, market orientation, learning orientation and organisational flexibility have existed .In the organisational flexibility especially leadership commitment would be one of the critical major issues in order to implement the BSC in the organisation.

Second, the top management commitment or leadership has been one of the challenges that have been found to be critical for successful implementation of performance metrics. Top management involvement would help to promote the restructuring of the business organisation and to expedite the management of change that would also occur in the organisation .

Third, another element of challenges in performance metrics implementation has been training and awareness, because not all employees accept the changes that have occurred in their workplace. Thus, communication between managers and subordinates must be good in order to enable the organisation to materialize the desired mission. Hence, training and awareness have been found to play a vital role in ensuring the success in the PMS implementation .

Fourth, the cultural change aspect has also been another major element that has required attention from the management of the organisations. Most literature reviews have stated that cultural changes could have major impact on any implementation of performance metrics . The organisational understanding of the work processes has been another major characteristic in the Balance Score Card (BSC) implementation, and the ultimately customer satisfaction has been the main priority for the organisation. Thus, the PMS used should be capable of tracking the customer wants and needs

Fifth, Management and employees would depend heavily on the agreement of the performance metrics to be used and thus, it has been found to be critical for the employees especially at the managerial level in organisations to understand it clearly before involving themselves in the implementation processes.

Sixth, one of the critical success factors in the performance metrics implementation has to be the satisfaction of the customers and the quality characteristics have been found to be emphasized upon.

Smith (2002) stated that, 'Performance management is not static. It will change as performance issues vary, as marketing strategy changes, technologies and the means to measure and record performance change over time.' Thus, the statement asserts that the

knowledge of BSC needs to be disseminated to MARA's top management because they are responsible for planning and organizing the company's strategy. Hence, once the top management is familiar with the BSC concept, only then are they able to utilize the company's financial and operational information to link its mission, vision, objectives and goals to develop the organizations.

2.4. PERFORMANCE MANAGEMENT PROCESSES

2.4.1 The stages of Performance Management System

According to Schneier, Beatty and Baird (1987), a performance management system is classified into a development, planning, managing, reviewing and rewarding phase.

Figure 1: Performance Management System

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┌──────────────┐      ┌──────────────┐      ┌──────────────┐
│   Phase 1    │─────▶│   Phase 2    │─────▶│   Phase 3    │
└──────┬───────┘      └──────┬───────┘      └──────┬───────┘
       │                     │                     │
       ▼                     ▼                     ▼
┌──────────────┐      ┌──────────────┐      ┌──────────────┐
│ Developing and│     │Managing &Reviewing│  │Rewarding performance│
│planning       │     │performance   │      │               │
│performance    │     │              │      │-Personal development│
│               │     │-Assess against│     │               │
│-outlininst    │     │objectives    │      │-Link to pay   │
│development plan│     │              │      │               │
│               │     │-Feedback     │      │-Result performance│
│-setting objective│  │              │      │               │
│               │     │- Coaching    │      │               │
│-getting commitment│ │              │      │               │
└──────────────┘      └──────────────┘      └──────────────┘
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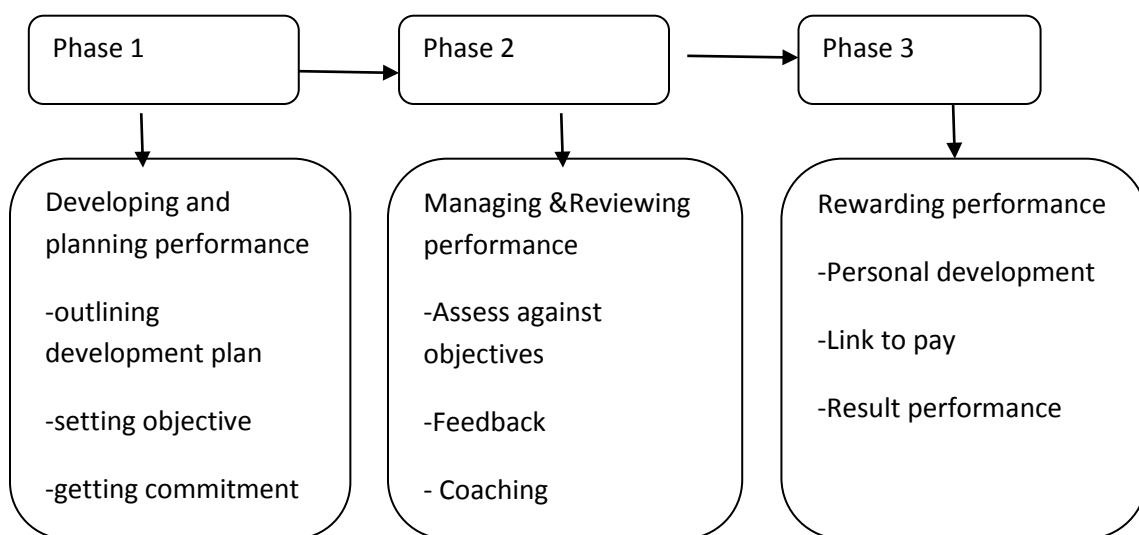
Source: Drawn according to interpretation-Original source: Schneier, Beatty and Baird, (1987:98)

From above figure and according to Schneier, Beatty and Baird (1987), the performance management system consists of three phases: developing and planning performance is the Phase 1 which includes outlining development plans, setting objectives and getting commitment activities; managing and reviewing performance is the Phase 2 which includes assessing against objectives, seeking feedback, coaching and document reviews activities; rewarding performance is the last phase which has personal development, results of performance and link to pay activities.

Phase1: Developing and planning performance

Planning is the first stage in the performance management system process cycle and offers the foundation for an effective process. Planning is a continuous process in performance management and should be executed with great care (Schneier et al., 1987). Planning helps to encourage commitment and understanding by linking the employees' work with the organization's goals and objectives (Schneier et al., 1987). It usually includes identifying key value drivers of stakeholders according to Armstrong and Baron (2004), objectives or goals describe something to be accomplished by individuals, departments and organizations over a period of time. They can be expressed as targets to be meet.

Armstrong and Baron (2004) further state that objectives need to be defined and agreed on. The objectives relate to the overall purpose of the job and define performance areas--all the aspects of the job that contribute to achieving its overall purpose. Targets then are set for each performance area. Rogers and Hunter (1991) stated that goal setting is the fundamental aspect for an organization. They further indicated that productivity gains will correlate with the extent of top management support for and employees' participation in the process of setting objectives. It is a motivational process which also gives the individual the feeling of being involved and creates a sense of ownership for employees. At the same time, part of the planning phase includes the agreement on a formal development plan for the employees.

In this planning phase, the supervisors and subordinates are involved in a joint participative process and set organizational goals, as well as specific goals for an individual. Objectives, on the other hand, also create the environment in which an individual will be measured according to his or her own performance and output, with set standards for evaluation .

Phase 2: Managing and Reviewing performance

Managing performance is the second element of the performance management system cycle. This step distinguishes performance management as a process from performance appraisal as an activity (Schneier et al., 1987). According to Schneier et al. (1987), every employee is responsible for managing his or her own work performance. This involves:

(1) Maintaining a positive approach to work,

(2) Updating and revising initial objectives, performance standards and job competency areas as conditions change,

(3) Requesting feedback from a supervisor,

(4) Providing feedback to supervisor,

(5) Suggesting career development experiences, and

(6) Employees and supervisors working together, managing the performance management process. According to the view of Fletcher, in the second stage, enhancing communication within an organization is important for employees to be aware of objectives and contribute to the future development.

Armstrong and Baron (2004) pointed that at its best, performance management is a tool to ensure that managers manage effectively. Therefore, performance management system should ensure the manager of employees or teams know and understand what is expected of them, and have the skills and ability to deliver on these expectations and be supported by the organization to develop the capacity to meet these expectation are given feedback on their performance; and have the opportunity to discuss and contribute to individual and team aims and objectives.

According to Armstrong and Baron (2004), performance management system is also about ensuring that managers themselves are aware of the impact of their own behaviour on the people they manage, and are encouraged to identify and exhibit positive behaviours. The actual performance is compared to the desired performance, so the outcome is evaluated and a development plan is set according to the weakness with reference the strategy. This outcome also provides a feedback mechanism to employees. In order to improve the feedback and update and discuss initial objectives, the organization should also focus on communication within employees and between employees and managers. It is important for managers to develop a fully integrated strategy which enables the different forms of communication to contribute to the success of the firm's mission or common goal. Moreover, continuous communication or exchanging information between an organization's strategic managers and its internal stakeholders should be designed to promote commitment to the organization and aware of its changing environment and understanding of its evolving aims .

In the second phase, it includes the performance reviews which can be regarded as learning events. Individuals could be encouraged to think about how and in which ways they want to develop. Research by Ashford and Cummings (1983) demonstrates that" Feedback has strong positive effects on the performance of both individuals and groups, specifically through role clarification, improved self-efficacy, the establishment of behaviour reward contingencies and increased self-regulatory control processes" (Ashford & Cummings, 1983).

Similarly, according to Armstrong and Baron (2004), the actual performance could also be compared to the desired performance, therefore the outcome is evaluated and a development plan is set based on the weakness. This comparative approach also provides a feedback mechanism to employees.

Phase 3: Rewarding Performance

According to Schneider, Beatty and Baird (1987), the rewarding performance phase includes three activities: personnel development, linking to pay and identifying the results or performance.

Deadrick and Gardner's (1997) points, employee performance could be defined as the record of outcomes achieved, for each job function, during a specified period of time. If viewed in this way, performance is represented as a distribution of outcomes achieved, and performance could be measured by using a variety of parameters which describe an employee's paten of performance over time. On the other hand, Darden and Babin (1994) said employee's performance is a rating system used in many corporations to decide the abilities and output of an employee. Good employee performance has been linked with increased consumer perception of service quality, while poor employee performance has been linked with increased customer complaints and brand switching. To conclude, employee performance could be simply understood as the related activities expected of a worker and how well those activities were executed. Then, many business personnel directors assess the employee performance of each staff member on an annual or quarterly basis in order to help employees identify suggested areas for improvement.

In order for an organisation to manage the performance of their employees, they will firstly need to identify the performance needed to manage the overall organisation. For the vast amount of organisations this will primarily involve a mission statement to highlight the performance that is required and the all-inclusive goals of the organisation.

Organisations will need to set out the strategic aims within the organisations structure that will achieve competitive advantage and will fall within that of the mission statement. The mandatory abilities and core values will need to be identified by most organisations as they will carry out a duty in the managing of individual performance.(Torrington, Hall and Taylor, 2008)

Subsequent to the stages of the Performance Management system being ascertained as to which best fits the organisation, it can then be determined as to which processes best fits the organisation overall. The following will be examined and identified:

- Performance Appraisal
- 360 degree feedback
- Reward
- Team Based Appraisal.

2.5 - PERFORMANCE MANAGEMENT SYSTEM AND STRATEGY AT CBE

Performance management is defined at CBE as the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities and as a whole wok system that begins a job is defined as needed .

Performance management is a process ,not an event and how employees performance is managed to a large extent drives employee engagement and also, PMS goes beyond apprising performance .

PERFORMANCE PLANNING PROCESS AT CBE

- Clearly and precisely define what is to be accomplished by the employee .
- Discuss performance measurement parameter -what, when, and how.
- Measure the right things .
- Focus on what is important and alignment with corporate goals .
- Discuss and agree on Performance target.

TARGET AGREEMENT

Performance standards serve as orientation and gives direction .They help the employee defining his identity in the organization .

- Agree on date and time
- preparation

  -Conversation guideline

  - provide relevant information

  -Determine consequence of target achievement/non-achievement

Target setting interview

- Create comfortable atmosphere .
- Meet without time pressure
- Communicate the relevant of the target
- Document all targets
- Set deadlines for milestones
- Prepare minutes of meeting
- Share agreed targets

Appraisal interview

- Planned -actual-analysis
- Evaluation of the extent of target achievements
- Planned-Actual deviation
- Analysis of reasons

  - Result influence self worth

  -Formulating new targets

Feedback

- stars with positive facts
- criticize only concrete behaviour not a person
- Give concrete examples
- Explain consequences of behaviour for the employee and for the team
- Jointly develop action steps for improvement
- Agree on specific actions

2.6 - PERFORMANCE APPRAISAL

Performance appraisals were normally used as a formal way to evaluate employees in terms of their performance. Normally a manager and an employee would participate in a meeting that was centred on the performance of the employee. To evaluate the employee, intricate documents would be completed and then held in files in the human resource department of the organisation.

An occurrence that was identified with this method of performance management was that the employee may have been overlooked until the next performance appraisal took place. (Torrington, Hall and Taylor,2008). It was identified that although it was important to carry out formal appraisals on an annual basis, the appraisals should be utilised as an on-going process to reach specific goals of continuous development in terms of performance and with regards to all round capabilities and skills. For this to occur, employees and managers should be equipped to meet development and advancement as required.   It is of vital importance that they learn from problems, achievements and conflicts that they encounter on a regular basis.

Gunnigle and Flood (1990) state that performance appraisal is a prearranged way to measure performance, attributes and abilities with the prospect of making choices in regards to rewarding, advancing and motivating employees

2.6.1 Appraisal Aims

Fletcher (2001: 4-5) discusses the main aims when executing appraisal

1**. Making reward decisions;** It is required that there are comparisons in place between individuals in order to contribute rewards. When individuals are appraised on an annual basis, rewards can be determined in relation to those most merited.

2. **Improving performance**; In order to educate an individual, there needs to be feedback given from the results of their performance in order for them to progress further.

3. **Motivating staff**; Employees can be motivated through feedback, fair contribution of rewards and through goals that improve their performance.

4. **Succession planning and identifying potential** ; performance appraisals can classify individuals into the poor and strong performers, this provides the organisation with the capability of focusing secession planning on the individuals who will perform most efficiently and positively towards it.

2.6.2- Different Types of Appraisal Methods

According to Stone (2002), for an organisation to decide which performance appraisal method is required they need to choose a practice which best fits the culture of the organisation. It must also consider the strategic reasoning behind putting the appraisal system into use and how it will measure performance. The following are considered by Stone (2002: 286-289) as the various methods to be considered:

➢ **Ranking** - This is the 'oldest and simplest form of rating' and is used to compare each individual performance to enable the manager to position the individual to distinguish between who is best and worst. In order to rank employees, managers must comprehend the roles of the individuals and can therefore simultaneously compare their performance. This form of rating can be one-sided as it involves considerable difficulty in discriminating between employees in the middle.

➢ **Grading-** This can be used to compare the employee's performance utilising specific grade definitions such as superior, good, acceptable, marginal and unsatisfactory. The employee is entered into a category which their performance demonstrates.

➢ **Graphic Scales** - Can be utilised by measuring the individual's performance with specific characteristics that are established around their subjective characters i.e. 'initiative and dependability' or objective characters such as 'quality and quantity of work'.

➢ **Critical incidents** - This occurs when the manager records specific incidents which stipulate an employee acting in an incorrect way. They are generally recorded around when they occur and will be used against measuring an employee's performance.

➢ **Management by objectives** - This involves the manager and individual compromising on the same targets. The performance of the individual can be determined by the job at hand in which they have compromised and undertaken on. These tasks are then reviewed at regular periods with regards to the achievement that has been made.

2.6.3- 360 Degree Feedback

Ward (1997: 4-5) outlines 360 degree feedback is essential for gathering of information on performance regarding an employee or team by stakeholders in terms of their execution of work. This method is utilised to figure out how employees or teams reach goals in terms of their performance and abilities. Ward specifies that stakeholders are concerned by individual's and team's performance and have the responsibility to answer questions in relation to their behaviour. The feedback that is provided by these stakeholders can help to provide training and development along with reward and appraising. It can contribute towards increasing the motivation of staff, communication and tasks that are performed. The system of carrying out the 360 degree feedback is a timely process as subsequent to obtaining the feedback, there are steps that are required to modify the performance of the teams and individuals.

As identified by CIPD (2009a), in order for 360 degree feedback to perform efficiently, questions should be precise, straight forward and relevant to the tasks that the individual is completing. The feedback should only be provided by a qualified person. When the feedback is successful and carried out appropriately, the feedback should deal with the recipient's thoughts regarding their actions being dissimilar to what they initially recognised it to be. Connections in different types of behaviours will also be found with the feedback.

The individuals receiving the feedback can chooses which abilities they wish to receive information on, The questionnaires are also secure with the option to use passwords and the use of the online questionnaires will help increase preciseness as correct information is received. (CIPD, 2009a).

It is of high importance that individuals receive truthful feedback on their performance according to CIPD (2009a) as this provides them with the opportunity to understand the way in which their tasks contributes to the goals that the organisation wishes to obtain. The use of 360 degree feedback contributes towards this as the receiver has a broader vision rather than just receiving feedback from the line manager.

The feedback that the individual receives should be confidential and the individual should have control over the process. The feedback given should be carried out in a constructive way that provides a purpose and samples should be provided of the way in

which the individual's performance has been observed. The individual ought to be allowed to act on the feedback they have obtained at all times.

2.7- EMPLOYEE PERFORMANCE MEASUREMENT

The concepts of performance are studied through evaluation of overall performance and the management of the performance and the evaluation of performance is the process classifying certain outcomes within a definite timeframe .Moreover, the axiom, 'If you can't measure it, you can't manage it,' underpins the rationale for organization having a completed and comprehensive performance measurement system such as the Balanced Scorecard or total quality performance management. This approach connects measures throughout an organization to translate high level objectives into lower level activities. Then, measures are imposed on individual employees to monitor their performance of these activities (Platts &Sobotka, 2010).

Performance criteria need to be unambiguous, clearly explained, relevant to the work tasks undertaken by employees and achievable. The criteria should not include factors beyond the control of the individual employee. Supervisors also need to be trained to provide regular, meaningful and constructive feedback. Employees should also be provided with appropriate training and development opportunities to overcome weaknesses in performance identified through the appraisal process. The assessment of individual employee performance also needs to focus on evaluating employee behaviour and work performance and not the personality of the employee.

According to Huselid (1995), employees within firms contribute for organizational performance and HRM practices can affect individual employee performance through their influence over employees' skills and motivation and through organizational structures that allow employees to improve how their jobs are performed. Also, it used labour turnover, productivity as employee performance measurement when he test the influence of HRM practices on employee performance. Labour turnover is the rate at which an employer gains and losses employees. Arnold and Feldman (1982) concluded that perceptions of job security, the presence of a union, compensation level, job satisfaction, organizational tenure, demographic variables such as age, gender, education, and number of dependents, organizational commitment, whether a job meets an individual's expectations, and the expressed intention to search for another job were all predictive of employee's leaving, and also concluded that perceptions of organizational culture influenced turnover. Job

dissatisfaction could cause employees to leave once they have reached decisions on the desirability of movement and the perceived ease of movement (March and Simon, 1958).

2.8 THE RELATIONSHIP BETWEEN PMS AND EMPLOYEE PERFORMANCE

2.8.1 DEVELOPING AND PLANNING

Mission and individual objectives are first stage of performance management system in developing a plan. In this stage, business needs to set up mission and objectives, and then clarify the individual responsibility and duty. A mission is an organization's character, identity, and reason for existence. It can be divided into four inter-relating parts: purpose, strategy, behaviour standards and values. Purpose addresses why an organization is in being; strategy considers the nature of the business; behaviour standards are the norms and rules of ' the way we do things around here '; values are the beliefs and moral principles that lie behind the behaviour standards, beliefs that have normally been formulated within the organization by a founding dynasty or a dominant management team (Campbell and Yeung, 1991). In order to maximize performance, organizations focus on the efforts of the organization on explicit, challenging and realistic aims and objectives.

The organization sets individual performance management targets which related both to operating-unit and wider organizational objectives . performance management supports a company's or organization's overall business goals by linking the work of each individual employee or manager to the overall mission of the work unit. Individual targets or responsibilities could be the mechanism to enable the performance of individuals within the organization to be aligned with the mission statement and the way of adjusting performance requirements to meet new challenges which may arise.

In the first stage, the most important thing of developing and planning performance is setting mission and objectives. Mission and objectives could motivate employees to act by the directions; therefore, motivated employees are more engaged and involved with their jobs. Moreover, motivated employees are found to be more self-driven and more autonomy-oriented.

2.8.2- MANAGING AND REVIEWING PERFORMANCE

In this second stage, there are lots of activities that include observing and document efforts and accomplishments; provide feedback, coach and counsel employee regarding performance. In this stage, enhancing communication within the organization, so that

employees are not only aware of the objectives and the business plan but can contribute to their formulation. Besides, employee communication could be discussed in the narrowly defined context of mediated communication, for instance, the impact of internal newsletters or specialized internal communication tactics.

However, Cameron and McCollum (1993) found that employees tended to prefer direct interpersonal communication to mediated communication when they need more information on ongoing issues of their corporations. According to Robertson (2005), an effective communication climate is based on such topics: job, personal, operational and strategic issue. On the other way, providing the quantitative and qualitative standards for judging individual and organizational performance are important elements in managing performance. As a result, individual employees would be aware of the standards which will encourage them and be the main objectives of them. Performance reviews can be regarded as learning events, in which individuals can be encouraged to think about how and in which ways they want to develop . Performance feedback has significant potential to benefit employees in terms of individual and team performance. Taylor, Fisher and Ilgen (1984) suggest that feedback is essential for organizational effectiveness and that a lack of feedback can lead to anxiety, inaccurate self-evaluations, and a diversion of effort toward feedback gathering activities.

Effective performance feedback has the potential to enhance employee engagement, motivation, and job satisfaction. Performance feedback is a critical component of all performance management systems. It can be defined as information about an employee's past behaviours with respect to established standards of employee behaviours and results. Effective performance feedback is timely, specific, behavioural in nature, and presented by a credible source. The goals of performance feedback are to improve individual and team performance, as well as employee engagement, motivation, and job satisfaction (Aguinis, 2009).

Performance feedback is effective in changing employee work behaviour and enhances employee job satisfaction and performance (. On the other hand, it is necessary to analysis and understands the feedback which is always ignored its complexities. Feedback may improve performance under some conditions.

Coaching is an important tool in learning and development. Coaching is developing a person's skills and knowledge so that his or her job performance improves, leading to the achievement of organizational objectives (Cunneen, 2006). Similarly, Apperbaum and

Armstrong (2003) pointed that the knowledge bases of coaching provide the company's employees with a new professional outlook that in the long term leads to a higher level of productivity. An individual's attitude towards an issue is factually the vision that he or she form around that entity. Positive attitude affects the productivity of the organization, affects the productivity of the organization, while skills refers to the employee's ability in undertaking the practical tasks. The employees feel more efficient and confident in performing their duties when they learn what material would be needed, how the material must be collected and interpreted.

In the second stage, managing performance includes communication, collecting performance and coaching. Communication makes employees who are not only aware of the objectives and the business plan but can contribute to their formulation. Feedbacks contribute to evaluating the actual performance of employee with desired performance. Managers and employees could realize the advantages and disadvantages of their works. After the realization of pros and cons of works, the coaching plays a role to improve acknowledge and skills of employees and finally impact the employee performance.

2.8.3- REWARDING PERFORMANCE

Rewarding performance happens on the end of performance period. The main activities include evaluating employee's accomplishments and skills; discussing evaluation with employees. It evaluates the effectiveness of the whole process and its contribution to overall organizational performance to allow changes and improvements to be made, and also provides the feedback to the organization and to individual staff about their actual performance. The effectiveness of any organization is dependent on the quality of its personnel. The right people must be originally selected into the organization, motivated to works; and sound personnel promotion and training decisions must be made in filling non entry level. An effective personnel performance evaluation system is a crucial cornerstone in this process, as it provides the data needed for most of the required administrative decisions. This system plays a key role in motivating people to utilize their abilities in pursuing the organization's goals (Musgrove &Creighton, 1973). After the evaluating and checking the feedback, managers or organizations should provide the pay-for-performance.

Financial appraisal is a useful tool to employee's passion for their work. In this stage, managers still need to focus on developing staff to further improve performance, and their career progression, in the future. Rewards represent important mechanisms by which

employee behaviours can be aligned with the interests of the organization . Particularly, pay-for-performance is a reward practice that links one's pay increase to one's performance, and could be used to direct, sustain, and motivate desirable behaviours, such as knowledge sharing (Bartol and Srivastava, 2002), creativity customer satisfaction. Pay-for-performance establishes the behavioural criteria by which rewards are allocated and in doing so underpins the alignment of employee behaviour with organizational values and objectives. Therefore, if an employee achieves his or her performance objectives then the employee receives a pay increase. This simple and visible link between pay and performance recognizes an employee for a specific level of accomplishment, therefore nurturing favourable work attitudes, such as satisfaction and commitment (Heneman et al., 1988). Thus, the effectiveness of pay-for-performance has a direct influence on high levels of service quality and desirable work attitudes.

In the last stage, rewarding performance consist of personnel development, final evaluation and rewarding activities. Financial appraisal is a useful tool to employee's passion for their work. Rewarding motivates the positive emotion of employees, such as satisfaction and commitment. Thus, the effectiveness of pay-for-performance has a direct influence on high levels of productivity and desirable work attitude.

Financial Rewards

Rewarding employees for their performance can be a controversial area as it means that part of their pay is in the balance as stated by Redman and Wilkinson (2006). Base pay as explained below is the most common financial reward that employees will connect with in terms of their pay. As this type of reward does not take into account the organisation itself, the employee and the external factors which are constantly changing, managers are becoming less content with these rewards.

As outlined by Redman and Wilkinson (2006), moving from base pay to a combination of base and variable pay will highlight the requirement of the organisation to remunerate the employee for their efforts rather than for the job alone. Relying on convenient ways of evaluating an individual's work is therefore not as important. This type of reward is used for all employees in the organisation linked to their performance during the year.

Annual performance incentives - This pay is related to a set of objectives being satisfactorily completed by managers and employees with personal responsibility given for completion.

Annual bonuses - These are not incentives for goals given but are remunerated for levels of achievement.

Long-term incentives - Rewards are held off until all goals set are completed and remuneration mirrors continuous performance. Usually given over a 3-5 year time scale and are provided to upper management who have authority over organisational accomplishments.

Team awards - Reward mirrors that of team performance input and devotion by team members consistent over a period of time.

Profit shares/gain sharing - Shared rewards are provided for accomplishment, this is a good way of stipulating how the organisation is performing overall.

Recognition awards - These types of rewards are given to the individuals whose performance in the organisation is exceptional. The culture of the organisation should be embedded in these accomplishments. This type of reward is used for all employees in the organisation linked to their performance during the year.

Non-Financial Rewards

Performance Management can be regarded as a way to provide assessments and the result of this determines pay as an outcome of judgements made. Armstrong (2006: 151) deems this to be improper as Performance Management can also provide rewards that increase the dedication to work. These rewards can be done through the ideology of accomplishments, the possibility of increased capabilities and talent and to provide feedback and guidance of the work of the individuals. These rewards are also deemed as 'non-financial rewards'. They can have more of a profound effect then that of financial rewards.

The following are the non-financial rewards identified by Armstrong (2006: 152-153):

Recognition - Recognise individual's achievements and areas where they excel and to keep them informed with regards to this. Individuals should be accredited for their accomplishments and given feedback on where they need to improve. The provision of opportunities to achieve - Performance Management is built on agreement between managers and individuals in terms of their job enrichment and progression, therefore they should be provided with techniques of development along with the job enrichment.

Skills and development - Reinforcement of the development of skills should be included with Performance Management giving a suitable system to train and maintain the development of skills.

Career planning - When Performance Management is reviewed it can provide individuals with an opportunity to discuss where their career is going in the direction of, it can also be utilised to determine whether their career is headed in the correct direction for themselves and for the organisation itself.

Job engagement - If individuals are in involved and motivated by their jobs, then they tend to be more engaged with their work. Performance Management can contribute towards this by encouraging the individuals i.e. delegating responsibility for the outcome and completion of their targets of work.

Commitment - A vital area of Performance Management is that individuals are committed to the organisation and its goals; this is done by combining both the individual and the organisation's aims.

2.8.4 TEAM-BASED APPRAISAL

During the execution of an examination of the performance of a team it must correlate with the objectives set out for the team (Armstrong and Baron, 2004). The activities of Performance Management that will be required by the team will relate to the activities required by the individuals in terms of 'agree objectives, formulate plans to achieve them, implement plans, monitor progress, review and access achievement and redefine objectives and plans in the light of the review'. (Armstrong and Baron, 2004: 122). The objectives set out for the teams and their line managers should provide them with responsibility to carry out and deliver the tasks set.

Redman and Wilkinson (2006: 164-165) recognise that in certain organisations, teams are more frequently being given responsibility for the designation of 'work tasks, setting bonuses, selecting new staff and even disciplining errant members'. This stipulates that performance appraisals in these organisations should be performed by the teams. The following are the two team appraisals recognised by Redman and Wilkinson.

The manager appraises the team as a whole

In this kind of team appraisal targets will be set and the performance of the members of the team will be measured and reviewed. The rewards provided will be in line with rewards given on an individual appraisal basis. Ratings received will be equivalent to each other in the team. After the team appraisals have occurred, the members are assisted with any issues they may have encountered with their performance or with issues regarding the abilities of team members. This will contribute towards the team engaging in an improved performance overall and will support the development of the team. In this type of appraisal, the team members rate and measure each other's performance through surveys which are done in a confidential manner - these are also known as 'peer appraisals'.

2.9 - DIFFICULTIES IN IMPLEMENTING PMS

According to De Waal and Counet (2008: 368-372) there are various problems which can be identified with the practice of Performance Management systems (PMS) -

- ➢ **There are insufficient resources and capacity available for implementation'** - In order to implement PMS into an organisation it would require focus and time. The organisation may aspire to implement the PMS but may not have the appropriate resources, time and amount of people to carry it out; this will result in an impediment in utilising Performance Management.
- ➢ **The organisation is in an unstable phase'** - Other concerns may take prominence and hold up the development of Performance Management such as 'reorganisations, mergers, acquisitions, new parent company initiatives or downsizing, or it has financial issues that put too much stress on management'.
- ➢ **'Lack of management commitment'** - If management demonstrate a lack of commitment to the implementation of the PMS this can follow suit with others in the organisation.
- ➢ **'Organisational members are not adopting the right management style'** - If the PMS is used by management in an in appropriate manner to punish individuals instead of educating and progressing them, then members of the organisation will dislike the PMS resulting in its information being misused.
- ➢ **There is a lack of knowledge and skills in regard to the PMS'**- The PMS will not perform accordingly if the members of the organisation do not know what is required of them with the system - this can stem from a lack of training with the PMS.

- **There is an insufficient link between the PMS and the reward system'** - If there is no connection or a deficient connection between the PMS and the reward system, the members in the organisation will not be appraised or rewarded in relation to work carried out with the key performance indicators and the critical success factors. This will lead to the members focusing on other issues and not comprehending the importance of the PMS.

2.10- EFFECTIVE PERFORMANCE MANAGEMENT

If an all-round effective adoption of Performance Management is applied into an organisation, the following factors will create this according to Armstrong and Baron (1998:17-28)

- **"Organisational context' -** As the external and internal environment to the organisation is constantly changing it is vital that Performance Management acts accordingly to contribute to forming the change.

- **'Culture'** - If the organisation possesses strong values in terms of its culture, Performance Management can be affected by this. It is important to note that culture can be changed and Performance Management can aid this process. Mutual acceptance between managers and employees must occur to achieve this.

- **'Job design'** - Job design can provide better performance as it provides individuals with incentives and improved capabilities. In order to achieve this with Performance Management the job which is undertaken by the employee should be a full section of work in order for the employee to recognise what they are trying to achieve and the results are clear. Employees should be given an input and power over making decisions and variety in the work they are carrying out.

- **'Teamwork'** - The need for organisations to incorporate better teamwork originated from the early 1990s as newer technology industries and finance and service industries required improved customer service through teamwork. In order for Performance Management to be effective, it needs to concentrate on working with teams along with individuals.

- **'Organisational development'** - This focuses on improving the way in which the company works and guides change through the progression and implementation of the organisations processes. This requires the organisation to utilise a holistic and united approach in Performance Management.

- **'Purpose and value statements'** - The performance of the organisation has purposefulness based on core values if it aims to satisfy the need of its stakeholders.
- **'Strategic Management'** - This is a way for the organisation to provide its critical success factors combining the zones of performance in the organisation that are the driving forces to target and meet the goals that have been established.
- **'Human Resource Management'** - All the plans that the organisation implements should concentrate on improving performance and achieving and developing individuals that are motivated and devoted to their jobs. (Armstrong and Baron, 1998:17-28)

2.11 - MANAGERIAL ROLES IN PERFORMANCE MANAGEMENT

2.11.1 - LINE MANAGERS

Line managers accomplish and bring together Performance Management. Armstrong and Baron (2005:17-19) state that line managers can be assisted in providing Performance Management through the following:

- Applying Performance Management into the organisation with the participation of the line managers in becoming involved in experimental research,
- Utilising a 360 degree feedback process to measure whether line managers are implementing the Performance Management system correctly in terms of how they deal with their employees and if there is a need for development of the line managers.
- Performing reviews with employees to see how they react to how the line managers implementing the Performance Management system and if there is a need for areas of improvement.
- Provide formal training for the line managers in the abilities that are required of them to carry out the Performance Management system. If new systems are being introduced then training should be provided in order for the line managers to progress further. Formal training is highly important where new managers are concerned.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1- RESEARCH DESIGN

Research design is essentially a statement of the object of the inquiry and the strategies for collecting the evidences, analyzing the evidences and reporting the findings. The purpose of this research is to assess the practice of performance management system in commercial bank of Ethiopia SAAD branches.

The research strategy is descriptive based on quantitative research type and the research is described as involving a collection of numerical data. descriptive research method it is easy to use various forms of data as well as incorporating human experience This design was particularly important for the study because it helps to describe and interpret the actual events that exist now and existed in the past and that have influences on the present performance management system practice of CBE SAAD. Which enables the researcher to look the study in so many various aspects and can provide bigger overview about the subject matter the research presents as a descriptive study.

3.2- DATA SOURCE

Data is collected both by primary and secondary data collection method. Primary data gathered from commercial bank of Ethiopia south Addis Ababa district branches through questionnaire, interview. Employees of CBE SAAD   requested to fill the designed open and close ended questionnaire and In addition to questionnaire interview with managers conducted managers of the CBE under SAAD branches is believed that they are highly responsible in performing the day to day activities and also they are the active participants of performance management system from its planning to review phases. These methods of data collection help the researcher to triangulate the data gathered from questionnaire with the data collected from the interview.

Secondary data collection also utilized in this research from different resources , various published and unpublished related literatures, performance management system policy and procedure of commercial bank of Ethiopia and annual and quarterly booklet

published and reviewed to get different data about the study , annual and quarterly performance appraisal data is used as a secondary data sources this study .

3.3 - SAMPLE AND SAMPLING TECHNIQUES

3.3.1- POPULATION OF THE STUDY

For the study the population are employees and management working at Commercial Bank of Ethiopia South Addis Ababa district branches. The total number of the population is 938 and to survey the whole population is difficult due to time and financial constraints .So as to undertake the study the sample is taken from the population to represent the whole population so that the sample size of 135 from the population which is 15% of the population .

Due to homogeneity of the characteristics of the population of the study the sample size taken of 135(15%) is reliable for the representativeness of the population .

3.3.2 SAMPLING TECHNIQUES

The sampling technique used for this research simple random sampling used and the sample size determined by using simplified formula .This methods used to give equal chance to the population to make sure the representative ness of the data and also to ensure the representative of all characteristics of the population . In addition purposive sampling technique also implements for those who are directly responsible with performance management system. It is the researcher belief that using this method enables to have in-depth knowledge from those who are in a position to give about the practice of performance management system at commercial bank of Ethiopia south Addis Ababa district branches.

3.4 INSTRUMENT OF DATA COLLECTION .

3.4.1 QUESTIONNAIRE

This study used a primary and secondary data collection, primary data collection open ended questionnaire and also Likert Scale questions developed and distribute to the selected sample which is 135 employees of commercial bank Ethiopia SAAD who work in different branches and positions. The reason for using questionnaire is responses are gathered in a standardized way, it is more objective, certainly more than interviews. Generally it is relatively quick to collect information using a questionnaire and potentially

information collected from a large portion of a group, and it is also cost effective, easy to analyze and reduces bias.

3.4.2 INTERVIEW

In addition to the questionnaire structured interview is used for gathering primary data supervisors and   Managers as well as human resource managers and experts conducted through interview to investigate issues in an in depth way, discover how individuals think and feel about a topic and why they hold certain opinions, investigate the use, effectiveness and usefulness of particular issues, inform decision making, strategic planning and resource allocation, sensitive topics which employee may feel uncomfortable discussing , add a human dimension to impersonal data and deepen understanding and explain statistical data. Conducting interview helps to understand the practical implementation of performance management in commercial bank of Ethiopia SAAD branches.

3.4.3 - DOCUMENT ANALYSIS

 In order to understand the subject matter different published and unpublished documents were reviewed by the researcher. Furthermore, annual reports, performance management system procedure of commercial bank of Ethiopia and quarterly performance appraisal files assessed to better understand how CBE SAAD practically implemented the performance management system, how employees understood the system, and what is the effect on individual, unit and organization's performance for the successful implementation of organizational vision and mission

3.5. PROCEDURE OF DATA COLLECTION

To gather necessary information from the participant closed ended questionnaire in Likert scale some open ended questions & multiple choice were used. The reason for using the Likert scale is that it will enable certain arithmetical operations to perform the data collected from the respondents and as well it helps to measure the magnitude of the differences among the individuals or the group.

The questionnaires were prepared by the researcher based on relevant available literature and researchers past experience. The respondents were educated the questionnaire prepared in simple English in understandable way. The questionnaire method

as instrument of data collection was used because it provided wider coverage to the sample and also facilitated collection of a large amount of data. Hofstee (2006) reasoned that questionnaires will offer confidentiality and also allows getting more volume of data as they can be sent to more people. The questionnaires distributed and collected by the researcher in duration of a month as few respondents return it in time. Beside this, the researcher was conducted structured interview with branch managers. All the related documents and necessary data were obtained from the branch

3.6. DATA VALIDITY AND RELIABILITY.

Sound measurement must meet the tests of validity, reliability and practicality. In fact, these are the three major considerations one should use in evaluating a measurement tool. "Validity refers to the extent to which a test measures what we actually wish to measure. Reliability has to do with the accuracy and precision of a measurement procedure .Practicality is concerned with wide range of factors of economy, convenience, and interpretability ..." Therefore, briefly take up the relevant details concerning these tests of sound measurement. To ascertain the data quality and reliability questionnaire developed using English language as much as possible used easy words in order to make respondents comfortable in understanding the essence of the questionnaire. In the questionnaire to test the reliability of the data some technical method used like asking the same questions in different ways and analyze the answer. In order to test the reliability of data collection instrument, the response obtained were used for calculating the cronbach alpha. As a result the cronbach alpha value of 0.880 was obtained after inputting the data into SPSS application. According to Tavako (2011) indicated that the acceptable values of alpha is ranging from 0.70 to 0.95. Thus, the result was show the reliability of the questionnaire. Therefore, the validity, reliability and practicality of this study is ascertained. And the confidence level is 0.95 applied for this research.

3.7 - METHOD OF DATA ANALYSIS

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

3.6 - ETHICAL ISSUE IN THE STUDY

The participants or respondents of the research for data collection were guaranteed of confidentiality and anonymity by the researcher. This is to ensure the completed questionnaires and data files are used by the researcher for the academic purpose only. The respondents or participants in the research are not to be subjected to any mental and physical stress and also conducting respondents in polite way.

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. Among the distributed questionnaire, 130 have been collected and this makes the response rate to be 96.3%. The remaining five were not returned. In order to increase the validity of the information obtained, interview were made with the Managers. The basic reason for using interview is to have clear information and to triangulate the data gathered through questionnaire.

4.1 DEMOGRAPHIC INFORMATION OF RESPONDENTS

In this section, the general background the respondents of the study is summarized by focusing their gender, age group, educational status, years of service and category of position classification. When we see the category This shows that since CBE has majority of professionals it is easy to transform the knowledge and skill they have to their customers who needs their consultancy and training service.

TABLE 1. **Characteristics of the Respondents**

Gender Of Respondents			
	Frequency	Percent	Valid Percent
Male	98	75.4	75.4
Female	32	24.6	24.6
Total	130	100	100
Age Group Of Respondents			
Less than 20	0	0	0
20 – 29	57	44	44
30 – 39	62	48	48
40 – 49	11	8	8
50 and above	0	0	0
Total	130	100	100
Educational Status Of Respondents			
Certificate	0	0	0
College Diploma	12	9	9
BA/BSC Degree	109	84	84
MA/MSC Degree	9	7	7
PHD	0	0	0
Total	130	100	100
Respondents Year Of Service In CBE			
Less than 1 year	5	4	4
1 to 3 years	26	20	20
3 to 6 year	42	32	32
6 to 9 years	38	29	29
More than 9 years	19	15	15
Total	130	100	100

Source; Own Survey 2016

Among the total respondents i.e. 130, 98 (75.4%) of them were male and the remaining 32 (24.6%) were female. This shows that the number of female staff is less by more than half from the number of male staff which means there is gender imbalance in the organization.

Regarding the age group of the respondents, the larger portion of the respondents that is 62 (36.8%) falls within the age group of 30 to 39. Age group from 20 to 29 and 40 to 49 hold 57 (44%) and 11 (8%) number of respondents respectively. From this we can say that CBE SAAD is filled with more younger, energetic and productive manpower that can be able to transform the mission and vision of the organization into reality.

Concerning educational status of the respondents, staffs who are degree graduates have the largest portion which is around 109 (84%), among the total respondents, 9 (7%) of them have masters degree and the rest of the respondents which is 12 (9%) are graduated with college diploma respectively. From the above table we can see that no one from the selected respondents have PHD. The fact that almost all of the respondents being educated in different levels it is believed that they can easily understand the questionnaire as desired by the researcher.

Based on the data collected through questionnaire, the large portion of respondents 42(32%) fall within the range of three to six years of service in CBE , the second highest percent 17 (25%) of the respondents have between 6 to 9 years of experience, 5 (4%) respondents have joined CBE with less than a year and the rest 26 (20%) and 19 (15%) respondents from the sample size have an experience of one to three years and above nine years respectively. It is the researcher believe that these combination of the respondents were good enough in finding the accurate information because the majority of respondents have three to nine years and more than nine years of experience in CBE , which is more than two years from which the Performance Management System was fully executed and this gives them an opportunity to reflect their opinion on the achievements obtained by CBE and clearly understand the current performance management system practice of CBE to identify the weaknesses , strengths and its effect on their performance of the system by comparing the previous and the current.

In general the above table which is characteristics of the respondents shows that the study is represented by those who are qualified in understanding the questionnaire as well as the subject matter, most of them are at their younger age and acquired experience which helps them to respond their true feeling without fear of losing their job and those who have an experience of more than three years in CBE again which helps them to understand the practice of performance management system which were implemented in CBE . As a result it is the researcher belief that the study is well represented by the respondents which helps to get the opinion of all which assures the accurate data have been secured from the respondents of the sample size.

4.2- ANALYSIS AND INTERPRETATION OF IMPLEMENTATION OF PMS IN CBE SAAD

4.2.1- EMPLOYEES UNDERSTANDING ABOUT THE PURPOSE OF PMS

Before implementing performance management system it should be clearly defined and the possible outcomes should also be known. In order to assess whether CBE SAAD defined it and listed out its purpose in a way it should be and whether employees are clear about the whole concept of PMS the following questions were forwarded to the respondents as well as the attendees of interview and their response is analyzed and interpreted as follows.

TABLE: 2   Understanding the Purpose of PMS

Variables	Responses			
Understanding the purpose of PMS	Yes I know clearly	To some extent	I have no idea	Neutral
Frequency	39	44	38	9
Percentage	30	34	29	7
Valid percent	30	34	29	7

Regarding employees awareness on the purpose of performance management system, respondents confirmed that 39 (30%) of the respondents were clearly aware of purpose of PMS goals of enhancing the ability and capacity of individuals and CBE and also 44(34%) know to some extent about PMS but have no idea about its purpose. but 9(7%) of respondents do not fill the question at all.

In order to check the main purpose on using performance management system at CBE, almost all respondents replied that CBE had introduced PMS to get a better result, to establish a culture where individuals and groups take responsibility for the continuous improvement in the institute, to provide employees with information about how they are perceived in the organization and where they stand and to determine who gets promotion and salary increment. This was also confirmed during the interview session.   But, in addition almost all of the respondents answered that based on their performance they did not receive a salary increment or promotion, bonus and also training not given to improve their poor performance. While conducting an interview this was also one of the question

and the researcher had found that performance management system is not linked with salary increment and bonus and recognition of good performers.

On the other hand the data gathered from the focus group discussion revealed that even though respondents are to some extent clear about the purpose of the PMS but there is a big confusion on PMS. Performance management system is used to get employees to achieve the CBE's objectives and targets, improve overall branch effectiveness, develop performance capabilities, review and assess individual performance, and reward and motivate. However, the above data clearly shows that CBE do not give much emphasis on the support staff to make them understand the main purpose of having performance management system and it can be said that employees are not on the same track of understanding the performance management system.

In different literatures it is clearly stated that performance management is all about setting up a shared understanding of what is to be achieved at an organisation level. It involves the alignment of organizational objectives with the individual's agreed measures, skills, competency requirements, target plans and the delivery of results. The focus is on performance improvement through learning and development in order to achieve the overall corporate strategy of the CBE. But in contrary the above data shows us even though above average respondents are clear about what PMS means , but this is not enough for CBE to make its employees more focused on their performance and have the same understanding on the essence and purpose of having performance management system in CBE .

4.3- AWARENESS ON THE STRATEGIC OBJECTIVE OF CBE

TABLE: 3 Employees Awareness on the Strategy Objective of CBE

NO	Variables	Responses										MEAN	STD
		SD		D		NAD		A		SA			
		F	%	F	%	F	%	F	%	F	%		
1	Employees Knowledge of strategic objective of the CBE	2	2	6	5	10	8	93	72	19	15	3.93	0.98
2	The Alignment of individual goal with CBE goal	8	6	15	12	25	19	48	37	34	26	3.6	0.95
3	Is the target goal set to employee are Attainability and realistic	45	35	30	23	27	21	18	14	10	10	2.4	1.15
4	Employees Clear understanding of the expected responsibilities	0	0	1	1	26	20	35	27	68	52	4.31	0.58

Source; Own Survey 2016

SD = Strongly Disagree, D = Disagree, NAD = neither Agree or Disagree, A = Agree, SA=Strongly Agree

Concerning the question on the awareness of the strategic objective of CBE, 93 (72%) agree on the issue, 19 (15%) strongly agree on their clear knowledge of the mission and vision of CBE. On the other hand 10(8 %) and 8 (7%) respondents are neutral and they did not have any information about the strategy objectives and existence of CBE respectively. Since performance management is a process that enables employees to perform their roles to the best of their ability which are directly derived from the strategic objective of the organization, they should be well informed about where the organization would like to go.

From this we can say that even though majority of the respondents know the mission, vision, values and the desired goal of CBE but it is not still quite enough for the

effective realization of its objective because when it comes to knowing where the institute would like to go everybody should talk on the same language. This lack of awareness about the strategic objective might be due to communication gap in the in CBE as a whole or due to the gap at branch level.

Concerning the alignment of individual goal with individual goal respondents were asked about their level agreement on the alignment of their goal with that of CBE goal. Accordingly, a total of 130 employees which 82(63) % of the respondents agreed on the fact that their goal set is cascaded from the branch goal whereas 25 (19%) of them have no clue about the issue and 23 (18 %) of the respondents disagree on that the goal of their goal and the branch goal is not aligned together and during the interview conducted with the managers they also confirmed .This shows that even though the majority of the respondent agreed on the alignment of the CBE goal with individual goal , but still there are some who do not believe its alignment . As pointed out in the literature, integration is a major concern of performance management which could be achieved by ensuring that everyone is aware of the organizational and departmental objectives and by helping employees to know the objectives they agree of themselves are consistent with the organizational goals.

On the subject of believing the target plan set to employees is realistic and attainable, even though 45 (35%) and 30 (23%) of respondents strongly disagree and also disagree respectively on the fact that their target plan set for them is not easy to make it realistic as it seems on the paper. They strive to meet the target plan expected from them but not attained. The remaining 27 (21%) have no idea whether it can be achieved or not and yet 28(24%) of respondents are totally agree and believes that the target plan set for them is attainable and realistic. Here also the researcher believes that even if 58% of the respondents are not believed about the target plan set for them and who do not agree on the attainable rate is greater than 50% this will be a disaster for CBE to have an employee who thinks his/her target plan will not have a significant contribution for the overall development of the CBE .

The question on focuses on the level of agreement of respondents regarding their responsibility. As a result the majority of respondents 68 (52%) are strongly agree on their awareness of their responsibility and the expectation of CBE from them, the remaining of the respondents which is 35 (27 %) also replied that they know what they have to accomplish. On the contrary 26 (28 %) respondents are not clear about why they are

employed in CBE which reveals there should be much to be done to make them to know the contribution gained from their job and the expected output from their responsibility for the successful realization of CBE vision, mission and value as well as for their personal development and growth.

4.4- PERFORMANCE PLANNING AND EXECUTION

Performance planning is a stage where the supervisor and the employee meet together to discuss and agree on what will be done for the future and how it should be done. With this in mind the researcher tried to assess employee's opinion on the first phase which is performance planning and the response is analyzed and presented as follows.

Performance execution is getting the job done in order to get the desired objectives in an effective and efficient way. Therefore, in order to gather data regarding the process of performance execution respondents were asked the following questions to see their level of agreement and disagreement.

TABLE- 4; Performance Planning and Execution assessments

NO	Variables	Responses										MEAN	STD
		SD		D		NAD		A		SA			
		F	%	F	%	F	%	F	%	F	%		
1	Employees agreed and discussed on performance target plan	37	29	60	48	18	14	11	9	4	3	2.6	1.25
2	Sufficient resource available to execute the target plan	30	21	28	22	14	8	33	25	32	25	3.2	0.97
3	Employees Are Performing Day To Day Work As Per The Target Plan.	0	0	40	31	42	32	26	20	22	17	3.2	0.98
4	Employees receive regular feedback from the manager about their performance	52	40	42	32	19	15	9	7	8	6	2.07	1.03
5	Employees get support from managers on operational challenge	22	17	28	22	46	35	20	15	14	11	2.82	1.01
6	Mid-term review undertake by managers due to change in position	48	37	35	27	30	23	16	12	1	1	2.13	0.98

Source; own survey 2016

SD = Strongly Disagree, D = Disagree, NAD = neither Agree or Disagree, A = Agree, SA=Strongly Agree

On the first question respondents were asked about the practice of CBE in target plan setting for employee performance   and the largest share which is 97 (79%) of respondents replied that they did not have a chance to participate on the goal setting while planning their performance goals and 18(14%) respondents are neutral about the subject

matter . In addition among the respondents 16 (12%) of them are agree and strongly agree on their participation on performance planning. During interview conducted with managers most of the managers confirmed there is not a practice of participating employees in performance target plan setting , simply the target derived from the branch target set from district the manager cascade the target plan set to branch to employees as per their position without the agreement and discussion with them . The respondent each goes to disagree and strongly disagree level of agreement.   According to the literature performance planning is a process by which the manager and the employee get together for a discussion to set a goal which will be performed by the employee with a specific period of time and having an agreed target plan used to enhance the knowledge, skill and attitude of an employee to enhance his/her performance to execute the day to day activities effectively and efficiently as per the desired goal.

It is the first cycles where employees will be enable to have a clear knowledge about the system. It is a stage where manager and employees meet to discuss and agree on what is to be done and how it is to be done by combining the result, behavior and development plan. If goal setting is not part of a performance management process, the employee will end up on spending time on activities that does not contribute a lot for the organization and also the employee. Hence, making employees to participate in performance planning and setting goal will increase their performance because they will develop a sense of ownership for the work they have agreed on.

The next question which was forwarded to respondents was about Sufficient Resources availability to execute the target plan. As a result 65 (50%) of respondents agreed on the availability of resource to execute performance target and the remaining 14 (7%) and 58 (43%) neither agreed nor disagree on the issue and   disagree on the availability of resource and with the interview conducted managers of CBE most of them believed there is resource constraints to execute the target plan set to employees.

Respondents are asked about their day to day work is as per the target plan set on the performance target plan or not , as per their response 46(37%) of respondents agreed on their day to day work is going as per the performance target plan and they execute as per the target .but, 40(31%) of respondents are not agreed on their day to day work is as per the target plan set and the remaining 42(32 %) of respondent is neutral about the issue and also the managers confirmed in different reasons sometimes employees not perform their day to day activities as per the target plan set . To achieve the overall objectives the CBE every employee should do its day to day work as per the performance target set for his/her performance.

The other question forwarded to the respondents are regarding Regular Feedback receiving about their performance from the manager more of the respondents 94(72%) of them goes they did not receive any feedback regarding their performance achieved . the remaining 17(13%)agreed and they receive feedback about their performance achieved and 19(15%) respondents remain neutral about the issue . To achieve the overall objective of the CBE individual performance review and communicated to individual performance result what is their performance says and what expected from them and to improve individual poor performance and to encourage and motivate top performers .

Respondents of the study were also asked about their level of agreement whether they receive Support from manager and supervisor when they facing challenge day to day activities as per the respondent response 50 (39%) of them are respond they are not receiving support when they face a challenge and 34(26%) of respondents response shows that they receive support from their manager and supervisor to cope their day to day activity challenges the remaining 46(35%) of the respondents response remain neutral about the issue .

The last question raised in this category to respondents is regarding is there Midterm review of target plan set to employee due to change in position the level of agreement of respondents 48(37%) and 35(27%) of response goes to strongly disagree and disagree respectively on the issue there is no review and amend the target plan set first ,if one employee change his/her position there is no change in target plan set first . the remaining 17(13%)and 30(23%) of response shows agreed on there is midterm review target plan set first and neutral about the issue respectively .

In this regard most of the literatures argued that standards should be clear to the manager as well as the employee, both of them should agree that the standards are fair, it should be specific and as measurable as possible, it should be clear whether the standards is to be accomplished by the specific date or whether it is ongoing and because it is achievable and agreed on, it should be periodically evaluated and changed if necessary Criteria should be consistent with the institutional requirement, communicated well, should be uniformly applied and developed with the active participation of employees.

4.5 - PERFORMANCE ASSESSMENT

Performance assessment is a process of evaluation the extent to which the desired behaviour and results stated in the performance planning stage have been achieved during the specific period of time. Thus, in the following table the data gathered from the questionnaire will be presented whether CBE is conducting the assessment stage correctly or not.

TABLE -5; Performance Assessments

NO	Variables	Responses										MEAN	STD
		SD		D		NAD		A		SA			
		F	%	F	%	F	%	F	%	F	%		
1	Employee have a chance to assess their performance (self appraisal)	23	18	44	34	32	25	21	16	10	8	2.62	1.001
2	Manager gathers information about employees' performance from subordinate.	4	3	20	15	28	22	46	35	32	25	3.63	0.903
3	Biasness in performance appraisal by manager	8	7	29	25	62	54	7	6	9	8	2.50	1.06
4	Employees have discussion and meeting after performance review	25	19	36	28	41	32	16	12	12	9	2.65	1.08
5	Employees accept the appraisal result	11	9	38	31	50	41	18	15	6	5	2.61	1.02
6	PMS employed at our bank properly measure my performance .	18	15	45	37	26	21	21	17	13	11	2.58	1.09

Source; own survey 2016

SD = Strongly Disagree, D = Disagree, NAD = neither Agree or Disagree, A = Agree, SA = Strongly Agree

In assessment of performance of employee and appraisal result indicates that 67(52%) of the respondents replied that they did not have given a chance to assess their own performance in a self-appraisal method based on the agreed plan, 32(25%) were indifferent and the rest of 31(24%) respondents were not agreed on it. The managers of most branches during the interview session the noticed there is not a practice of giving a chance of self appraisal for employees for their performance. According to the literature if both the employee and the manager or supervisor have a chance to make an assessment and had a meaningful dialogue about the expected result it will be easy for a manager to honestly and ethically assess how well an individual had done the task.

Employees participation in the assessment stage will result with the provision of relevant information, ensures buy-in from the users of the system, reduces fears and anxieties, reduces resistance to change, and generates commitment to the system. In this regard CBE has done a little bit but still it has big gap in a large rate and not enough to make the performance management system process smooth and free from bias.

Item two refers to a question about having peer's information while evaluating an employee performance Consequently 24(18%) of the respondents replied that their supervisor did not ask their peer's opinion about their performance while making an assessment of employee's performance, 28(22%) have no idea whether there is such practice or not and 60 % of the respondents have witnessed that there is a practice of asking peer's opinion before rating an employee's performance. The data gathered from the interview showed that there is not practice before   performance assessment.

Based on literatures 360° feedback broadens the perspective on evaluating an individual by using multiple data sources which helps to find the results more compelling than a traditional evaluation from a single manager's perspective, improve staff performance and ensure business objectives are attained and identify areas of concern which require management's attention. The accuracy of the evaluation is dependent on the quality of the data gathered. Performance data is obtained through observations of behaviours or less ideally by inferring behaviours through knowledge of results. With this in mind the above data show us there is lack of uniformity within branches in CBE on using 360° feedback on the practice of evaluating employees for the performance they have shown during the specific period.

Question forwarded to respondents concerning the rating errors which lead a manager to be biased. Thus, a total of 37(33%) of the respondents agreed on, 62(54%) of respondents seems to be indifferent and 16 (14%) disagree with the idea. Here the majority of the respondents believe that their supervisors are biased by different reasons when they assess employees' performance. In literatures we can find different kinds of rating errors and among them the inclination to rate people in the middle of the scale, an initial positive or negative judgment by supervisors which distort the real performance, generalizing one aspect of an individual performance to all areas of his/her performance and generalizing across the groups and ignore individual differences are the most usual errors that make a supervisor to be biased on individuals performance. Therefore, from this aspect and from the data shown above some branches of CBE has done not much in eliminating these errors.

The question regarding on the discussion between manager and employees after assessment have been made. As a result, a large portion of respondents response which is 37% and 32% replied as disagree and neutral respectively. The remaining 21% of them agreed that after assessment has been made they have a discussion with their manager on the exhibited performance to be base for the next performance. From this we can understand that still CBE has done little in creating a culture of giving feedback in a continual basis and also after the completion of the performance appraisal period. Feedback toward goals and coaching to improve performance should be provided on a regular basis and certainly before the review cycle is over. Most importantly giving feedback allows employees to be informed about how well they are doing to receive information on specific areas that may need improvement and to learn about the CBE's and the managers expectations and what aspects of work the managers believes are most important. Getting feedback will let employee's to know how they are performing and they also can clearly know what they all are trying to attain the strategic objectives that satisfy the vision and mission statement of CBE .

Questions forwarded to employee of CBE to assess their attitude regarding the appraisal result for their performance whether they accept the or not and what they feel about the appraisal result. As per the response of the respondents 49(40%) of response they did not accept the appraisal result for their performance and 24(20%) of respondents agreed and accept the appraisal result given for their performance but the remaining 50 respondents which is 41% of the total respondents remain neutral on the issue.

To assess the attitude of the employees regarding performance management system employed at CBE measured properly their performance. As per the response 53% of them perceived PMS employed at CBE not properly measure their performance, but 28% of the respondents agree on PMS measure their performance properly . The remaining 21% of the respondents remain neutral about the issue.

Employee's attitude towards the existence of performance management system in CBE the result shows that even if some of the respondents are in favour of having such kind of system for the development of individuals, teams and organization but majorities of the respondents have a negative attitude about the introduction and practice of performance management. They do not believe that its objective is to motivate employees and to serve as a two way communication rather it is implemented because it is the current notion of management and it creates confusion and lastly it is a tiresome process.

For a system to be effective the attitude of its implementers is the most important input. Without believing and taking the ownership of one system it will be difficult for an organization to get the desired output from the system. This is not enough in making employees believe in PMS also to make them active participants to let them to take the ownership of the system and take the CBE where it needs to be. A lot has to be done in changing the attitude and perspective of employees toward the PMS because it will be very difficult to get the desired objective having let alone majority of the staff but a single employee who thinks the PMS is a waste of time.

4.6 PERFORMANCE REVIEW

On the other hand performance review is the meeting between the supervisor and the employee to review their assessment. This meeting is usually called the appraisal meeting or discussion. The appraisal meeting is important because it provides a formal setting in which the employee receives feedback on his or her performance. Hence, the researcher tried to forward the following question regarding performance review and found out the result which is presented below

TABLE- 6; Response of Performance Review Assessment

NO	Variables	Responses										MEAN	STD
		SD		D		NAD		A		SA			
		F	%	F	%	F	%	F	%	F	%		
1	Performance management system increased commitment and motivation	4	3	8	7	20	17	55	46	32	27	3.54	0.97
2	Do you get reward based on your performance	32	25	41	32	30	23	15	12	12	9	2.49	1.18
3	Is PMS transparent in our branch.	6	5	16	12	25	20	45	37	31	25	3.45	0.96
4	Is there midterm review of performance and adjust target plan	0	0	55	48	40	35	11	10	8	7	2.42	1.06
5	There is a discussion after performance review	25	19	36	28	45	35	18	14	6	5	2.57	1.08
6	Performance management system is important for the success of CBE and me	0	0	8	6	15	12	67	52	40	31	4.07	0.92

Source; own survey 2016

SD = Strongly Disagree, D = Disagree, NAD = neither Agree or Disagree, A = Agree, SA = Strongly Agree

The respondents in this research 73% of them agreed performance management system increase their commitment to achieve their target plan set to them and motivate them , but 10% of the disagree and they believe performance management contribute to them nothing in their commitment and motivation , The remaining 17% of employees have no idea about the issue .

The question forwarded to employees of CBE SAAD to assess what things employees received as a reward from performance management system based on their performance from the total respondents 73 respondents which is 57% of the total respondents did not receive anything as a reward based on their performance whatever their performance record result is and 21%(27)of the respondents agreed on reward they receive a reward based on their performance , but the remaining respondents of 23 % which is 30 employees is neither agree nor disagree on the reward they receive from their performance record achieved . Performance management system is one of the methods that motivate and increase employees' performance if it is attached with rewards.

To assess the practice of the performance management system in CBE SAAD questions forwarded to employees of CBE about the Midterm review of performance target plan due to the change of position ,as per the respondents 48% which is 55 in numbers disagree and there is not practice of target plan review due to change in position and 17% of respondents agreed there is midterm review of target plan ,but other respondents which is 35% from the total respondents remains neutral about the issue . From the interview conducted with the managers all of the managers believed that there is not practice of midterm review of target plan set first to employees and also they believed one of the weaknesses of performance management system employed at CBE.

The last question forwarded to employees in this category is whether there was a discussion after performance review and to assess the attitude of employees regarding Performance management system is important for the success of CBE and for individual success. as per the response from the respondents 61 respondents which is 41% of them disagree and they confirmed there is not a practice of discussion on their performance after the performance review in CBE and 19% of respondents from the total respondents agreed on there is a practice, but 28% of respondents is neutral about it . From the interview with the managers it is difficult confidently to say there is a practice of discussion on performance of employees after the review of performance. From the data analysis gathered it is possible to say there is not practice of discussion after review of performance

Regarding the attitude of employees about the importance of performance management system for CBE success and employees personal success more than half of the which is 107(83%) of respondents agreed PMS is important in supporting to achieve the objectives of CBE and for individual success. This indicates that employees believed in the importance of PMS for the success of CBE and employees too.

4.7- INTERVIEW AND DOCUMENT ANALYSIS

To assess the performance management system practice and its effect on employee performance interview conducted with 13 managers of CBE SAAD branches and analysed as followed .According to the data measured questions raised Regarding about job performed by individual employees is linked with the strategic objectives of the bank , as per the response of all the managers they agreed and believed the individual job performed by the employees is liked and attached with the strategy of the bank ,but more than half of the managers responds believed that the target objectives of the bank is overstretched target plan and the target plan cascaded to different branches .

Regarding the objectives performance management system of the bank what out put the bank expect from the system. From the interview respondents almost all from the PMS the bank expect high performance, motivation, commitment, and learning growth of employees of the bank. But, more than half of the managers believed performance management system is not implemented as expected and did not get desired result from the performance management system.

Regarding the practice of the Performance management system the target plan designed at the bank in corporate level the target set in top level (corporate level) cascaded to district level as per the performance of the district the bank has fifteen districts The target plan set to each district cascaded to branches under the district and forwarded to branches as per the branch level and performance the branch manager receive 100% financial and non financial target plan set to the branches . the branch manager cascaded to the target plan set to the branch to employees of the branch as per the position they have the branch set target plan of local currency, foreign currency, customer recruitment (customer base), mobile banking, internet banking and visa card recruitment the target setting to employees not participate the employees and agreed on the performance simply set the target plan to each employees as per their position.

Regarding about the appraisal practice managers of all the SAAD branches respond that the appraisal method for financial target plan set is data gathered manually and evaluated but in case of non financial target plan is difficult to get data and the appraisal of the non financial has no performance record range there is only 1 and 4 which means below expectation and above expectation respectively as per the appraisal set by the corporate level.

Challenges faced by managers and basic challenges of performance management is that during the interview session with the managers almost the entire manager mentioned the challenge of awareness of employees of regarding the PMS and lack of training about PMS.

Data tracking system is not supported by the system still it is manual and they believe the manual data gathering method did not perfectly measure the performance of the employees and also open to biasness by data gathering employees .Lack of Resource to execute the target plan set to individual employees is one of the challenge to in PMS resources are not distributed equally to employees but the target is setting to them equal .One of the challenge mentioned by all mangers is the lack of target plan set first is not revised at all . The target plan set to employees as per their position and if there is a change of position during the quarter the target plan set is not revised.

To assess about PMS practice in CBE From the data of 3 years gathered and analysis is undertaken to assess the PMS effect on employee performance. As per the result from the analysis of data employees performance increased on average 10.8% from 13 Branches data analysis this indicate performance management is good to implement to increase performance of employees and the bank and it is possible to say PMS increase performance of employee and organization .

CHAPTER FIVE

SUMMARY OF   FINDINGS, CONCLUSION AND RECOMMENDATION

This chapter focuses on the summary of the major findings of the research questions, conclusions and recommendations forwarded in light of the relevant literature developed by scholars and responses of research participants.

5.1 SUMMARY OF MAJOR FINDINGS

The main objective of this study was to assess the practice performance management system in commercial bank of Ethiopia SAAD by having the following basic questions to be addressed.

1. Are individual goals and performance objectives aligned with strategic objectives of

   CBE ?

2. Are policy, strategy and employee capacity development schemes clearly known by the work force ?

3.   What extent PMS is understood by employees?

4. How are the planning and execution phases of performance management system carried out at CBE?

5. What is the response of management & employees on the transparent and fair performance review process at CBE ?

In order to address the above basic questions, descriptive survey research design was employed which comprises both quantitative and qualitative methods of data gathering. Data was gathered through questionnaire, interviews, and also document review were made to triangulate and increase the validity of the data obtained. To collect representative data, 135 questionnaire copies were distributed by using simple random

sampling technique. Out of which, 130 of the questionnaires were collected. Furthermore, interview with the managers of CBE SAAD branches for triangulation the study.

The data collected from target respondents through questionnaire was compiled and summarized by using SPSS statistical software. The variables were analyzed by using frequency counts, percentages, mean values, and standard deviation. Finally, information obtained through open ended questionnaire, interview, and document review were mathematically analyzed and interpreted.

According to the data analysis presented in previous chapter, there were positive and negative findings concerning the implementation of the performance management system by commercial bank of Ethiopia SAAD branches.

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

- Employees responded that their target set to them for their performance is not realistic and attainable; they understand the target plan is overstretched and impossible to achieve.
- Employees have no chance at all in participation in target plan setting for their performance and most of the employees did not accept the appraisal result, also they believed their performance are not measured properly .
- Lack of supervision by managers or supervisors on employee performance and their day to day work follow up as per the target plan set, and employees do not get regular feedback about their performance after their appraisal result.
- Due to the change in position employees performance target plan is not revised and not corrected during the quarter period and some employees do not have target plan
- Employees do not have a chance to assess their performance (self appraisal), the appraisal of performance of employee is undertaken only by managers and the appraisal result for employees are not accepted by employees and also there is no discussion and meeting between manager and employee after the appraisal result.
- Resource is among the important factors to execute target plan set to individual employee and for organization. But in this study it is confirmed that there is no sufficient resource to achieve the target plan set to them.
- Non financial target plan set to employees is difficult to measure and the measurement method is not proper and all employees and managers believed as the same.

From the study it was also identified that most of the respondents do not have a chance to jointly agree on the standards of performance measures with their supervisors which help them to know with what rate they are going to be assessed. During the study some positive findings are obtained.

- Most of the employees of CBE SAAD filled with educated employees more than 90% of them degree holder and above degree this indicate the CBE SAAD branched has productive employees.
- More than half of the employees of the employees of the bank understand the purpose of PMS and the strategy of the bank this is positive for the organization .But not enough
- Employees of CBE SAAD believed that it is good to have PMS for the success of the bank and for individual success.
- Most of the employees have clear understanding what expected from them and their responsibilities.
- CBE SAAD filled with diversity in terms of profession, skill, Gender, and experience and also filled with young employees.

5.3- CONCLUSION

Performance management system enables to CBE to plan ,measure and control the performance of the employees according to the predetermined strategy and standards set for the performance. Performance management system enables to achieve the desired result of the bank.

The study was conducted to assess the practice of performance management system at CBE under south Addis Ababa branches .From the findings conclusion has been reached that individual goals and objectives are aligned with the objectives of CBE. But, the cascaded target plan setted to the employees performance is not SMART and overstretched target. Most of the employees of CBE lack clear knowledge about the strategy of and policy of CBE and also, some of the employees the employees perceived PMS lack proper measurement standard to measure their performance and some of them do not know what performance management system is .

Regarding the transparency and fairness of performance review process CBE PMS is not transparent . Employees perceived PMS is not cleared to them and they did not receive feedback after the appraisal and simply accepted the result .

From this study, it has been noted that CBE SAAD branches has neglected the importance of the involvement of employees in the performance planning process of Performance Management System. Based on the evidences obtained from the analysis, employees claimed that they are not participating in performance planning. In addition respondents do not have a chance to jointly agree on the performance measures standards with the manager and lack of planning process awareness of PMS even with the managers. That is why employees are not aware of the performance evaluation objectives and performance standards as well as the importance of having an agreed individual target plan. This implies that CBE SAAD does not undertake PMS as per the procedure and concept of the PMS and the practice is differ from the concept of PMS.

Concerning the practice of performance management system in CBE problems like rating employees , inaccuracy of the rating method ,failure of having software which helps to gather data about employee's performance and reporting their status as well as automating the performance management system. CBE, two years after completion of the implementation process and after finalizing the required study with this regard, shows a tendency of reluctance to make the supervision and follow up for the successful implementation of PMS . This hinders the PMS from providing the expected output on employee performance and performance of the bank.

The practice of PMS in CBE SAAD implemented is not fully as per the performance management system concept and deviate from the concept of PMS in different literature. As a result, considering the fact that regardless of the type, size and objective of the bank, performance management system is a globally contemporary practice all over the world which helps the organization, individual to be more effective in their day to day activities to bring about the desired objective and for the successful growth and development of each, one can conclude that even though CBE has some good qualities in implementing performance management system but a lot should be made in making the performance management system to be more useful for successful and achievement of the bank objectives .

5.4- LIMITATION OF THE STUDY

- During the study some limitation faced by the researcher like some branches data handling method were poor and difficulty to access for secondary data .
- Some of the questionnaire were uncollected due to respondents negligence .
- Some of managers of SAAD branches were unwilling for interview and some others were not available for the interview appointment
- Lack of on time collection of questionnaires since respondents did not filled the questionnaire on time

5.5- RECOMMENDATIONS

In considering the major findings of the study and the conclusions drawn, some efforts were made to forward possible recommendations for the attainment of a better result out of the performance management system in CBE for the better achievement of the objectives.

- Performance planning should not be always a sole activity of managers and higher officials but include the active involvement of employees during the design and implementation of the plan as it is a crucial element of performance management system to ensure success. In addition, CBE has to create a situation where employees can prepare their own SMART goals, participate in the discussion and to take ownership of the plan agreement.
- To change the attitude of employee's about the implementation and process of performance management system, CBE has 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 and components and instruments of the process of performance management system .
- When it comes to managing the performance of employees, all staffs have equal stakes of responsibility and accountability to the development of the organization. As a result, CBE should also give attention to branches by making them aware of the purpose and process of performance management system to participate efficiently in the system.
- CBE 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

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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.

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

- In the performance assessment part, CBE should let 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 behaviour not to accept the evaluation result because the evaluation is based on what they are accountable for.

- CBE have to fully implement the practice of self appraisal and peer appraisal across the employees. Literatures suggested that it is good to have multiple of sources to gain accurate information about an employee's performance rather than sticking only with managers and supervisor while rating. This will help the bank to have more sources of information about an employee performance to build on the strength and compensating for the observed weaknesses.

- In order to have sufficient information about employee's performance and reporting their status as well as to have the expected output on performance information reporting and utilization, CBE should have to have performance management system and data tracking software to make the process more flexible and reliable and also to reduce the possible bias from supervisor and to enhance the accuracy of measurement of employee performance.

- The bank should have to attach the performance of individual employees with financial and non financial rewards based on their performance   . Rewards are one of the motivation factors of employees to enhance their performance and for the CBE objectives achievement.

- The bank should set performance goal for all employees to manage all employee performance and to make uniformity among employees .

- Finally, CBE should work   hard to the full implementation of PMS also supervise the branches their implementation process is weather as intended or not and take

corrective measure and eliminate factors that lead managers and supervisors to be biased while rating employee's performance and as much as possible and CBE should make the evaluation criteria to be very objective and conduct the evaluation at the right time.

In general, it is advisable for CBE to sustain all its current strengths, and improve its limitations mentioned above to challenge future uncertainties for the proper implementation of PMS and the success of employees and the bank overall.

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APPENDICES

APPENDIES -A

St. Mary's University School of Post Graduate Studies

School of MBA in General management

Questionnaire to be filled by: Employees of CBE   SAAD   Branches

Name of student ;   Melaku Chaka

Dear Respondents,

 The purpose of this questionnaire is to collect primary data for conducting a study on the topic, *"Performance Management System Practice and its effect on employee performance "* as partial fulfilment to the completion of the   program in Maters of business administration in general management (MBA General). In this regard I kindly request your time to provide me with reliable information so that the findings of this study would meet the intended outcome. I strongly assure you for the data gathered confidentiality and only used for   academic purpose   . This is a good chance for you participating in this interesting research study and I would like to thanks in advance for your voluntary participation for the success of my research study.

Directions

 • No need to write your name,

 • If you have any question, please contact me on 0912674811.

Part I – General Information

1. Gender: (A) Male   (B) Female

 2. In which age group do you fall?

 (A)   Less than 20   (B) 20-29   (C) 30-39   (D) 40- 49   (E) 50 and above

3. What is your highest educational status:

 (A) Certificate   (B) College Diploma   (C)BA/BSC Degree   (D) Masters   (E) PHD

 4. Years of service in CBE :

  (A) Less than 1 year   (B) 1 to 3 years   (C) 3 to 6 years   (D) 6 to 9 years   (E) More than 9 years

 5.   In which work position do you work in CBE currently ?
_____

Part II   Purpose of Performance Management System

6. Are you clearly aware of the purpose of Performance Management System which is implemented by your organization?

      (A)   Yes   (B)   No

7. If yes what type of performance management system used by CBE?

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 8. If yes, for question no. 8 what is the purpose of having Performance Management System in CBE
?_____
_____

9. Do you think Performance Management System is clearly defined in the organization?

       (A) Yes   (B) No

10.   If No, what do you think is the reason?
_____
_____

11. Is there an opportunity for employees for promotion and recognition based on their performance ?

            (A) Yes   (B) No

12 . Do you have clear understanding about performance management system ?

            (A) Yes   (B) No

13. Have you agreed and discussed on performance target set to you ?

            (A) Yes   (B)No

14. Is there any reward based on your target achievement performance ?

            (A) Yes   (B) No

17. If Yes for the above question what type of reward is ?

        (A) financial   (B) non- financial

19. Do you think the current target plan set to you and the appraisal for your performance is right?

        (A) Yes   (B) No

If the answer is No for the above question why or what do you think is the reason ?

Part III   Performance Planning and Execution Note:

 Performance Planning is a stage where the manager and the employee meet together to discuss and agree on what will be done for the future and how it should be done and Performance Execution is getting the job done by achieving the objectives. Therefore having this in mind please rate your level of agreement or disagreement for the following questions.

DIRECTION ; please put this mark (X) in the provided box number you choose for the appropriate questions.

Q.NO	1= Strongly Disagree 2= Disagree 3= Neither Agree Nor Disagree 4= Agree 5= Strongly Agree	1	2	3	4	5
15	I know the strategic objective of CBE					
16	My individual goal is aligned with the strategic objective of my business process/work unit as well as the organization					
17	Our branch target plan is realistic and attainable					
18	I have clear understanding about what my job responsibilities are and what is expected from me					
19	In CBE goal setting is carried out with the discussion between the employee and the supervisor					
20	While setting a goal my supervisor clearly tell me the expectation he/she has from my performance					
21	I am informed and reach on an agreement with my supervisor about the standards that will be used to evaluate my work					
22	My supervisor and I reached to an agreement about my development plan to enhance my performance					
23	CBE provides me sufficient resources to execute my job properly					

24	I have received feedback regularly about my performance from my supervisor					
25	I always be informed about a change in organizational goal and the initial goal setted by me and the supervisor is also updated accordingly					
26	I always get support from my supervisor while I face challenges in performing my day to day activities					
27	There is a midterm review between my supervisor and me regarding my performance in the past months					

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Part IV ; Performance Assessment and Review Note:

Performance Assessment is conducted with the interaction of employee and supervisor for evaluating the extent to which the desired behaviour and results are met during the specific period of performance review. Based on these purposes please rate your level of agreement or disagreement for the following questions.

DIRECTION ; please put this mark (X) in the provided box number you choose for the appropriate questions

Q.NO.	1= Strongly Disagree 2= Disagree 3= Neither Agree Nor Disagree 4= Agree 5= Strongly Agree	1	2	3	4	5
28	I have given a chance to assess my performance (self-appraisal method) based on the agreed plan					
29	Always my supervisor gather information about my performance from my peers or subordinates while assessing my performance					
30	When my supervisor assesses my performance he/she is biased by different reasons					
31	After assessment have been done I always had a discussion meeting with my supervisor to review my performance					
32	Performance Management System is important for the success of me and CBE, thus it is good to have					

Thank You!!!

APPENDICE -B

Interview Guideline

1. Do all employees informed about the mission and vision of the CBE ?

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

4. Does the institute successfully handle the planning, execution, assessment and review processes of Performance Management System ?

If yes, how and if not why?

5. What were the major objective/expected/ outputs set by CBE from Performance Management System?

6. Does Performance Management System bring the desired outcome to CBE ? If yes, discuss how tangible results were observed?

7. Does Performance Management System bring the desired outcome in employee motivation ?

If yes, discuss how tangible results were observed?

8. Could it be possible to say that CBE has successfully implemented Performance Management System?

9. Do you have any other comments or suggestions regarding Performance Management