**ST. MARY'S UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF PERFORMANCE MANAGEMENT PRACTICES AND CHALLENGES: IN DEBUB GLOBAL BANK, ETHIOPIA**

**BY**

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**ADDIS ABABA, ETHIOPIA**

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**BY**

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## DECLARATION

I declare that the research entitled "ASSESSMENT OF PERFORMANCE MANAGEMENT PRACTICES AND CHALLENGES IN DEBUB GLOBAL BANK, ETHIOPIA "is my original work; prepared under guidance of WORKU MEKONNEN (PHD). All sources of material used for the research have been duly acknowledged.

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## ENDORSEMENT

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

Advisor: WORKU MEKONNEN (PhD)

Signature_____

St. Mary's University, Addis Ababa, December, 2021

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# ACRONYMS

**DGB-** Debub Global Bank

**HR** - Human Resource

**HRM** - Human Resource Management

**PM** - Performance Management

**PMS** - Performance Management System

*Abstract*

The purpose of this study was to assess the practices of performance management system implemented in Debub global bank (DGB) and its challenges. The study tried to address the basic questions whether the purposes and concepts of PMS is well defined and communicated to employees, how the alignment is made between organizational goal and with that of the departmental and individual goal, how the planning, execution, assessment and review process was handled, how performance management system is integrated with reward and training and development and what are the challenges in implementing performance management system in DGB is covered in this study. To answer these questions descriptive research design has been deployed by using both quantitative and qualitative research approach. The researcher used lottery method of simple random sampling since the population is finite and homogeneous and that each element in the population will have equal chance of being included in the sample. Data collection instruments used for this study was questionnaires The data gathered from the questionnaire were compiled by using SPSS software. Descriptive statistics method was used for analyzing data obtained from questionnaire and the results were presented using tables.

Accordingly, the finding indicated that the performance management practice is implemented with adequate knowledge of employees on PMS, good feedback and coaching practice, moderate training and development and ownership to the system by line managers. In addition, challenges like absence of training and development caused by lack of budget, subjective decision of evaluators, and inadequate commitment from the HR department and the management was pointed out. Since the performance management practice in the organization is in a good pace it should be kept as it been functioning except some improvements to be made on with the recommendations forwarded such as employees job description being up to date at least at the beginning of every performance period, the organization should confirm the practice and usage of SMART objectives in the application, the management must commit to make continuous feedback and coaching where commitment to achieve organizational objective is essential, and ongoing training of individuals in charge of appraisal especially for managers is essential in order to lower the lack of standardization.

**Key Words:** Human Resource Management, Performance, Performance Management, Performance Management System.

# 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 with the responsibility of managing other resources like financial, material, technological and other monetary or non-monetary resources. Therefore, the human resource can be said backbone of any organization in coordinating and controlling the whole activities of the organization directly or indirectly to ensure achievements of organizational goal. Unlike other resources, human resource can bring sustained competitive advantage by creating values which cannot be imitated by competitors (Tope Oni, 2016).

According to Armstrong (2006), "without good human resource, an organization cannot build a good team of working professionals and environment. Successful organizations do not owe their success solely to market realities and sustainable competitive advantages. Successful companies are those that consider their human capital as their most important asset. In the eyes of an organization employees are viewed as assets whose value is enhanced by development. For this reason, companies will engage in practice of human resource management to capitalize on those assets. The assumption supporting the practice of HRM is that people are the organization's major resource and organizational performance mostly depends on the employees. If, as a result, a suitable range of HR policies and processes are developed and carried out efficiently, then HR will make a significant impact on firm performance." Performance Management System (PMS) is a process of setting objectives aligned to organizational goals, making plans to achieve those objectives and achieving those already set desired results (Ayesha & Sehrish, 2016).

With all human resource practices, performance management ensures the proper flow of blood in every part of organization, which is human capital, and is globally recognized as an important human resource management process. In any organization, performance management has great importance for attaining competitive edge as it is considered the back bone of Human Resource Management (Farheen & Faiza, 2014). Performance management consists of performance appraisal and performance development. Performance appraisal is one of the most widely used techniques of guarantying the value of employee performance. The achievement of performance appraisal depends on how effectively and efficiently it is implemented. It also depends on understanding of employee about the performance appraisal system and how positively

employees are oriented towards the system (Ayesha, 2015). It is imperative that businesses need to make sound management choices, one critical choice amongst which is the identification and use of appropriate performance measurement and management systems. There is a need to design and implement a performance management system that will take into consideration the competitive realities within which the organization operates. The measuring system should be holistic, comprehensive and versatile. Measuring and managing performance enhances the efficiency and effectiveness of organizations (William & Babu, 2015). In a developing economy with varying challenges, the need to adopt effective and efficient performance management and measurement systems is essential for growth, sustainability, and improvement in products, services and internal processes (William & Babu, 2015).

The business world is changing at an ever-increasing pace. Just maintaining the current performance of the business is not enough to survive in the 21st century and beyond. Companies must consistently and critically review their performance management systems and take drastic action when necessary to address the identified deficiencies. Managing employee performance is an integral part of the work that companies need to monitor continuously and PMS has become more important in recent years because managers are under constant pressure to improve the performance of their organizations (Rankadimeng & Ogutu, 2014). It is known fact that banking sector is a fast-growing sector in Ethiopia. With expansion in the number of branches, banks are beginning to feel a new pressure on their organizational abilities i.e. the processes of recruitment, placement, training, promotion and appraisal, in order to ensure that the right number of staff with the right capacities is available at the right time and for the 3 right places. Performance management is one of the key factors of organizational ability which is also the focus of this stud

## 1.2. Statement of the Problem

In today's highly globalized and turbulent environment companies should strive to build a sustainable competitive advantage which is based on their human resource. Basically, it needs a proper assignment of the right people in the job. In the process, performance management plays the critical role by continuously assessing the actual performance of employees for the better performance of organizations. (Denisi& Griffin 2008) According to Cokins (2004), an effective performance management system should be congruent with the organization's strategy. The performance management system should also be integrated with business, team and individual objectives.

In addition, the performance management system can provide accurate assessment of employee productivity and quality of work. The performance management system can motivate employees to higher level of performance by giving the employees helpful feedback. Performance management therefore, continues to grow and develop as an integrated business system, with strong links to business strategy, compensation, employee development, and other system. When we come to the case of Debub Global bank It has policy, procedure and guideline for the effective implementation of the performance management system but when it comes to its practice there are indications that there is problem with regard to performance management theories as mentioned above. The research observed that there has been a number of complaints about lack of performance standard/criteria, ongoing performance feedback, trained appraisers, and fair performance ratings during performance assessment period. Some department heads and managers also mention about the problem on the implementation of the system when an informal discussion made with them. But no research has been done so far to identify where the real problem is and in what way the problem will be solved. It seems that the organization has not taken major action to prevent or solve this issue. But once the complaints are reported, the organization uses mediation as a possible resolution method for the problem. The mediation goes in a way that the division managers will mediate the complaint and the supervisor. From the discussion, it was observed there is an idea difference and disagreement on assessment and review period. Some of the disagreements were due to misconception of performance measurement process. They think performance evaluation is done only for the sake of organizational obligation and for paper work and nothing else. The supervisor also reported that the performance evaluation is the hardest and worst task from their entire job due to this

disagreement. Furthermore, after looking further last year's assessment and evaluation data from human resources department, the division manager stated, the employees have written complaint on their rating and identified gaps which stated by their supervisors which shows the magnitude of the problem. There will not be improved individual, team and organizational performance. Hence, this study uses evidence-based approaches for a better assessment of the underlying problems which are observed on the organization's performance management practices and provide advice to the organization in order to tackle the problem.

## 1.3 Research Questions

1. How the strategic missions of DGB align with individual performance objectives?

2. How performance planning and execution implemented in DGB

3.What are the practices and processes of performance management system in DGB?

4. What are the main challenges that DGB confront in the effective implementation of the

PM system?

5. What are the possible ways of improving the Performance Management processes in DGB.

## 1.4. Objectives of the study

### 1.4.1. General objective of the study

The general objective of the study is to assess performance management practice and challenges on Debub Global bank.

### 1.4.2. Specific objectives of the study

The specific objectives of the study are:

- To evaluate whether the strategic missions of DGB align with individual performance Objectives

- To evaluate how performance planning and execution phases are implemented in DGB.

- To Explore the details of practices of performance management system in DGB

- To Discover the main challenges that DGB confronts in the implementation of the PM system.

- To recommend possible ways of improving the Performance Management processes in DGB

**1.5 Definition of key terms**

The researcher tried to answer the above questions based on variables of Nature of PMS, Problems underlying PMS, Alignment of PMS with business strategy,

Policies and procedures of PMS, and Contribution of PMS Outcomes for Decision Making.

**PMS**: PMS is an evolving of formal and informal mechanisms, processes, systems, and networks used by organizations for conveying the key objectives and goals elicited by management, for assisting the strategic process and ongoing management through analysis, planning, measurement, control, rewarding, and broadly managing performance, and for supporting and facilitating organizational learning and change.

**Problems underlying PMS**: This can be different obstacles that may hinder effective designing and implementation of PMS in the Commercial Bank of Ethiopia.

**Alignment of PMS** with business strategy: Refers the proper positioning of PMS with organizations business strategy. A strategy is an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage.

**Policies and procedures of PMS**: are a set of documents that set forth principles, rules, authorities, responsibilities and actions for an organization's management and operations about their performance management functions.

**Contribution of PMS Outcomes for Decision Making**: represented by strategic, administrative, informational, developmental, organizational maintenance, and documentation functions (Aguinis, 2011)

**1.6. Significance of the Study**

This study tried to match modern best practices of performance management with DEBUB GLOBAL bank performance management practice. Additionally, it identifies key improvement areas and recommends ways to improve the current System of Performance Management. Therefore, the researcher will identify the major gaps of the existing Performance Management System and recommends ways of improvement. The bank will obtain the necessary feedback and take corrective measure to ensure the successful implementation of performance management system. The research will add something on the literature regarding the performance management system. Also, the study will be starting point for studies and investigations in the

area of performance management practice and challenges of DEBUB GLOBAL bank. Lastly the paper enhances knowledge and experience of the researcher on the field of research.

## 1.7.  Scope of the Study

The study deals with performance management practices and challenges in DEBUB GLOBAL bank. The study area included all employees including Department directors, division managers, head office employees and branch employees of DGB. For the sake of this research project the researcher focuses only on selected city (Addis Ababa) branches and head office permanent employees. The data to be used for the beginning of the research is the last two years data. The researcher could not study the entire population because of feasibility and cost consideration.

## 1.8. Limitation of the study

The study was concentrated only in assessing the existing performance management practices in DGB The impact of performance management system on the banks productivity and profitability is not covered. As the study was done on sample basis and considers only branches located in Addis Ababa, some percentage of employees may not be addressed methodologically. Moreover, the study was facing a problem of getting enough literature available especially in the context of this country. This may limit the depth of literature review conducted in the study and forced to depend on foreign literature.

## 1.9 Organization of the paper

The study is organized in to five consecutive chapters. The first chapter dealt with the general background, statement of the problem, objectives of the study, significant of the study scope and limitation of the study. The second chapter related to literature reviews written by different scholars. The third chapter is concerned with methodology of the study.  The fourth chapter embraces the presentation, analysis and interpretation of the data. The fifth chapter came up with the possible conclusions and recommendations.

**CHAPTER TWO**

**RELATED LITERATURE REVIEW**

This literature review has three important aims. It aimed s to gain a full insight of the existing literature on the research area. First, it will identify the key research areas on the perception and experience employees have towards the performance management system, second, to fully understand the types and challenges of performance management system.

## 2. THEORETICAL LITERATURE

### 2.1 Definition of Performance Management (PM)

The definition PM is an integrated activity which makes the company retaining its success for a long-lasting period. Performance management is a continuous process of identifying, measuring and developing performance in organizations by linking each individual's performance and objectives to the organization's overall mission and goals (Anguini's, 2011).

Aguinis elaborates this definition by focusing on its two components: i.e. Through Continuous process, Performance management is ongoing and it involves a never-ending process of setting goals and objectives, observing performance, and giving and receiving ongoing coaching and feedback. By link to mission and goals, Performance management requires that managers ensure that employees" activities and outputs are congruent with the organization's goals and, consequently, help the organization gain a competitive business advantage. The definition shows as there are a direct relationship between employee performance and organizational goal. Performance management deals with the challenge organizations face in defining, measuring, and stimulating employee performance with the ultimate goal of improving organizational performance. Thus, performance management involves multiple levels of analysis and is clearly linked to the topics studied in strategic human resource management (HRM). Therefore, Performance management involves aligning HRM practices so that employee performance and development are enhanced, with the aim of maximizing organizational performance. Aligning HRM practices directly involved in performance management also affects other practices, such as selection (Hartog, et al, 20014). Aguinis (2011) states performance management is basically related with finding out weaknesses their improvement and establishment of performance of individual. Additionally, he states that this process includes the alignment of vital goals with

individual performance and proper feedback. As he said aligning goals with individual performance by accompanying through backward communication is PMS Process. According to Giannetto (2009) Performance management (PM) is a goal-oriented process directed toward ensuring that organizational processes are in place to maximize the productivity of employees, teams, and ultimately, the organization. It is a major player in accomplishing organizational strategy in that it involves measuring and improving the value of the workforce. PM includes incentive goals and the corresponding incentive values so that the relationship can be clearly understood and communicated. This definition implies that the productivity of employees directly improves/influences the productivity of organizations. Performance management is a way of getting maximum results from people by analyzing their performance and making beneficial changes to attain the requirements (Asab et al, 2014). The author clearly states that PM is the method of gaining higher pay off by adopting changes.

## 2.2 Performance Management System (PMS)

Armstrong (2009) states that establishing a single definition of the PMS concept is difficult but they view PMS as the evolving formal and informal mechanisms, processes, systems, and networks used by organizations for conveying the key objectives and goals elicited by management, for assisting the strategic process and ongoing management through analysis, planning, measurement, control, rewarding, and broadly managing performance, and for supporting and facilitating organizational learning and change. PMS can be specified as a main process which allows transforming basic strategic priorities, values and particularly objectives of the company into performance or into particular objectives of every employee. It is based on the principle of interconnection of company performance management which defines key measures of performance into the highest level of management up to the level of particular objects of management organizational units, work positions and an individual system of performance management which defines both particular work objectives and required work conduct on the level of particular work positions (Vodak, 2013).

According to Armstrong (2009) Performance management system refers to a set of interrelated activities and processes that are treated holistically as an integrated and key component of an organization's approach to managing performance through people and developing the skills and capabilities of its human capital, thus enhancing organizational capability and the achievement of sustained competitive advantage. Although various scholars define PMS in different ways, from

the above definitions and continuous nature of performance management can conclude that PMS more emphasizes on process than system or mechanism

## 2.3 Employee Perceptions of Performance Management

There is a negative perception the employees have concerning performance management system (Newel ,2000) They believe that the system is influenced by subjectivity, according to the investigation done by concerning the perception that employees have of performance management system. There is very little employee involvement in formulating criteria, agreeing performance standards and objectives when designing performance systems. Management selects a few top representatives to develop the system in the absence of staff.

According to (Makori,2014) on a study that he carried out on employee perceptions of performance management, the employees in the hotel industry believed that they performed better in their daily tasks but there was no significant relationship between their individual performance and the perception they had of the initiatives that the hotel had put in place for performance appraisal.  The study therefore concluded that employee perception on performance management was not necessarily influencing individual performance in the hotel industry.

## 2.4 Clarity in Tasks and Duties

Perceptions principally relate to social contacts rather than to procedures. In order to develop positive perceptions organizations should ensure that their processes are clear in relation to the key performance indicators and rewards, consistent feedback and clear explanations about performance management processes by Managers (Palethorpe ,2011). Recognition and rewards are one of the primary objectives that need to be aligned with the overall organizational strategy. In order for a performance management to be successful, there need to be a collaborative process between supervisors and employees.  A performance management cycle should begin with a discussion of employee and supervisor to discuss results, the expected behaviors and developmental aspects for better future performance (Aguinis 2009). This collaborative aspect of performance management process lets supervisors understand the story from a subordinate's perspective (Robbins,2007). This will therefore provide a forum to elaborate the expectations for employees.  It also provides information for future decisions about promotion or rewards as well as providing a platform to attain the desired employee behaviors for better performance. Human Resource tasks such as performance management impact include employees as well as

supervisors. This inclusion will influence the quality of the relationship and also improve on perceptions as pointed out by (Manville &Great banks, 2013). The organization perceptions that are possessed by an employee are largely contributed by supervisors as researched by (Greenberg & Haviland, 2008).

## 2.5 Lack of Proper Performance Management Systems

Performance management system as referred to by Cook (2003) is the process of achieving organizational objectives by making productive use of people. Other scholars say that performance management includes the process of designing formal systems that ensure the efficient and effective use of human talent to achieve organizational objectives (Burgess et al., 2007). One of the key functions in human resource management is performance evaluation. According to Baker, (2013) performance evaluation is the key difference between organizations just managing to survive and high performing organizations. Performance evaluation aligns itself to the organization strategies and also provides a lively link to general and specific human resource functions (Vukotich, 2014). However, performance evaluation is casually done in organizations where the business strategies are not properly aligned. (Tobin &Pettingell, 2008) emphasize that HR as a function should not impose the idea of performance evaluation because it is everyone's responsibility in an organization.

## 2.6 Evaluation of Previous Performance Management and Organization Objectives

The concept of management emphasizes the need for getting things done right through people efficiently and effectively (Robbins & Judge, 2007). This also raises the question of what systems the businesses use to evaluate whether things are heading in the right direction or not. In order to solve this puzzle, organizations are highly encouraged to evaluate their previous performance and align it to their future objectives. The process of this evaluation does not end with the good performance of an organization. The process needs to trickle down to individual levels. According to the findings by Van Soelen, (2013). Organizations use performance management systems for all business drivers from individual to functional, shareholders and customers. However, Aguinis (2009) believes that there is a substantial gap that lies between practical orientation of performance management and the literature. This gap exists because researchers target other researchers as their audience rather than organizations (Wong & Shi, 2014).

Performance Management, as defined by Armstrong (2009) is a process designed to improve organizational, team and individual performance and this is owned and driven by the line manager. While Aguinis (2009) views performance management as a continuous process of identifying, measuring and developing performance of individuals and teams and aligning performance with the strategic goals of the organization.  It also evaluates the improvement being made towards the achievement of organizational strategic business objectives (Bridger, 2014). Performance Management will not provide the desired outcomes if an individual's performance and objectives are not aligned with the strategic objectives of the organizations. In addition, in cases where the individual or functional objectives are aligned and not rewarded properly, the end result is a disconnect syndrome, swaying an organization away from its objectives. In order to avoid the disconnect syndrome, synchronization in objectives should be ascertained.

## 2.7 Integration between Organization Objectives and Individual objectives

A good and functional performance management system should be able to exhibit integration between organizational, functional and individual evaluation systems. The views of (Cooper,2005) are that integration can be achieved in an organization through agreement on performance objectives and performance definitions at all functional levels in the organization. Moreover, performance management system should facilitate an individual in an organization to visualize how their individual objectives and evaluation measures lock into organizational perspective. (Manville &Greatbanks,2013) emphasizes that if the measurement systems in an organization are unable to meet conclusions and facilitate decision making it becomes a futile exercise and a redundant process of no value. In the ideal state, performance management should be able to deliver an overall performance evaluation being based on individual or functional numbers contribution in the organization. This will also enable an organization in future decision making and planning.  Well executed and setup performance measurement frameworks facilitate an organization to enjoy vertical and horizontal functional collaboration to achieve organizational excellence (Longo &Cristofoli, 2007).

Performance Management System provides feedback to an organization about its functional and individual achievements. These qualitative or quantitative substitute measures further provide a roadmap for how future organizational objectives can be attained. Van Soelen, (2013) argues that past performances do not ensure better or similar future outcomes.

## 2.8 Performance Management for Career Growth

According to changing nature of career and unstable employment, there is an increasing idea that individuals' career progression is the responsibility of themselves, not the organization's responsibility (Greiner &Sakdapolrak, 2013). Predominantly, highly educated people are capable and able to manage their own career (Abston&Kupritz, 2011). Individual employees who are graduates can encourage themselves to remain employable and marketable, not only for developing a career in a particular organization, but also for developing lifelong transferable skills in job market (Boyatzis, 2008). Based on the concept of individual career management employees are the central actors in managing their own careers (Cooper, 2005). They determine which career direction they will take. ICM enhances individuals' perceptions of control over their careers, which in turn leads to career satisfaction (Garber, 2011) Career satisfaction has been regarded as a key factor for individual and organizational success (Lee, 2006).

A study that was carried out by Abston&Kuritz, (2011) shows that proactive personality and self-control are the predictors of a successful career. Studies conducted by Bridger, (2014) and Clardy, (2013) found that individual's proactive personality can promote their career success. Employees who are proactive are more likely to engage in improvement opportunities and innovative behaviors that are significantly related to career success (Greiner, 2013).

## 2.9 Employee Engagement

Employee engagement in Performance Management is vital. Promotion of employee engagement can be used as a means to increase the performance (Byrd, 2013). The engagement management model has three arms. These are Performance agreement, engagement facilitation and performance management and feedback to the employee which will lead to improved performance (Cook, 2008). However, since this model has not been tested empirically, there is a lack of conceptual and empirical work on how Performance management systems can enhance performance by fostering employee engagement.

## 2.10 Evaluation on Pre-determined Parameters

Evaluating employee's performance on pre-defined parameters as stipulated by (Armstrong, 2009) has been highlighted as a differentiating factor among the market leaders and survivors (Lawler & Garber, 2007). This difference emanates from evaluation processes and their results as these influence employee satisfaction and talent retention in an organization. The evaluation

process needs to be in sync with organizational objectives and reward systems along with strategic direction (Hirsh, 2004) Synchronization feedback mechanisms will address developmental gaps so as to improve future performance according to (Aguinis, 2009).

## 2.2 Challenges of performance management system

Performance appraisals have always been carried out in a retrospective manner. The traditional appraisal in many organizations occurs once a year with a few conducting it semiannually or annually.  There is usually a gap in months between establishing goals and reviewing them and also the objectives that have been set when the year begins are usually referred to at the appraisal time. According to (Lee, 2006), performance appraisal gives a chance to both the employee and the supervisor to review the goals and targets that they set together and also to confirm whether the employee is on course, how far they are from accomplishing their goals and also to identify any possible challenges that the employee may face.  According to Bridger, (2014) the appraisal process may be open to biased ratings.

## 2.2.1 Feedback System

Employee's engagement behavior should be included in the performance management (Armstrong, 2012) the behaviors of the employee include persistence, the ability to be proactive, role expansion and adaptability. The main activities of this component are performance appraisals and feedback from supervisor. However, in order to enhance feedback, (Julnes,2008) argues that it is important that the employee feels that there is trust and justice in the system. Competence based performance appraisal system was designed for higher education institutions by (Gilmore & Williams, 2009). He found out that there were three competencies, namely core competency, managerial competency, and technical competency. According to (Parker, 2013) appraisal is "the process of periodically reviewing one's performance against the various elements of one's job". His study described the purpose and developmental criteria of a performance management program that assessed the performance of hospital employees on a regular basis. (Slavin,2014), examined the effect of performance appraisal politics on job satisfaction. The results confirmed that performance appraisal politics acted as important predictors of job satisfaction in the studied organization. (Martin, 2009) examined the effect of performance appraisal on individual as well as on the organizations. The findings of the research showed that there was a noticeable effect of the performance appraisal on the organizations as well as on the individuals.

The emphasis by Trakoli, (2011) shows the need for maximum prosperity of employees ultimately resulting in maximum prosperity of the organization.

### 2.2.2. Leadership Commitment

Top management should strive for servant leadership. This is virtuous, highly ethical and based on the premise that service to followers is at the heart of leadership (Greiner, 2013) Servant leaders exhibit the qualities of vision, caring for other people, selflessness, integrity, humility, trustworthiness and interpersonal acceptance (Clardy, 2013). It can be realized from different conceptualizations of servant leadership that service to followers and valuing followers are the basic principles of a servant leader. When members of a team perceive that their leader is concerned about their welfare, they will become more committed to the organization.

Organizations have a need for leadership styles that create favorable environments for teams to function optimally. According to the findings of (Palethorpe,2011), team leadership is a fundamental process, focusing around the satisfaction of critical needs of a team with the goal of enhancing team effectiveness. Clear performance by increasing resilience and productive time reduce the negative factors such as exhaustion and absenteeism. In the context of performance contracting, commitment is at two levels: top management and the level of employees. Top management commitment may be viewed from willingness to be loyal and focus all the energies to implementation process. Expectancy theory by Victor Vroom tells us that employee commitment to organizational goals depends on the strength of expectation that doing so will be followed by favorable outcome and the value that the individual attach to the reward. According to (Muthaura,2010) in a presentation on the role of Kenya's public service in a changing environment argued that people will oppose change if they do not see clear and reliable gains. They look at what is in it for me? This means that the commitment of the employees is dependent on their perceived gains from implementing the system. (Trakoli,2011) argues that unless performance management system gain acceptance through encouraging people to collaborate because they want to not because they have to, performance management system may actually lead to suboptimal performance by making figures look appealing only on paper.

### 2.2.3. Bias in Performance Appraisal

One of the most difficult requirements of an effective performance management system is that it should be as free as possible from bias. People cannot deny the involvement of bias in their

decision making on performance of theaters. The only thing that the raters can do is to minimize the level of unfairness as much as possible. Work professionalism plays an important role for the reliability of the assessment process. There are many types of bias that creep into performance management system according to (Tobin, 2008) and the most reported are recently effect, halo effect, central tendency and prejudice. The main issue in the practice of performance appraisal activity is the fairness of the evaluation decision by supervisors. Raters have problems evaluating the performance appraisal in a proper way. Performance of individual employees that is not measured accurately can lead to dissatisfaction with the system.

One of the factors that contribute to employee's dissatisfaction is that raters do not have the required skills to appraise staff. This will affect the process of evaluation because bias, unfairness and unreliability may happen.  As much as there is a formal evaluation form and a set of rules and standards to be followed, employees often do not trust the tools of evaluation. Subjectivity in the performance evaluation in the public and private sector is quite common. Managers are encouraged to be as objective as possible but during the implementation of performance appraisal, the evaluation becomes subjective. The subjectivity of the evaluation discourages employees on supporting the measurement of performance management system and this reduces the objectivity of the performance appraisal (Sparrow, 2012). The quota system that is practiced in some organizations creates dissatisfaction among employees. A small fraction of the employees get salary increment either vertically or diagonally. Therefore, although the employees may perform well, they might not be rewarded because salary increment depends on the quota system. This will therefore lead to decrease in work performance, self-esteem and loyalty. The appraisal decision is confronted with a great deal of criticisms and comments from the employees.  There are several issues that have been brought forward such as the rater's ability to conduct performance appraisal, accuracy of the system, fairness, discrimination and quota system.

Performance management should suit the organization's culture. Research findings strongly suggest that multinational company's manager should carefully design the appropriate performance management system for foreign operation based on the different cultural factors of the country.

### 2.2.4. Objective and Fair Standard of Evaluation

Performance standard is the measuring tool for determining the outcomes of employee's performance. All necessary standard needs to be followed and spelt out to the staff. Stipulation of standards is important because it helps the organization to achieve its goals; to motivate individuals, teams and groups to a higher level of personal work behavior. Standards reinforce behavior, promotes the consistency of employee's performance and it can also be used to weigh and measure the impact of employee's performance (Greiner, 2013)

For employees to be productive optimally there must be knowledge and training to carry out a particular job. Training and development enable employees to provide optimum output and also reduce the chances of their being infected by soldiering and deliberately working slow to avoid working full hours as highlighted by (Julnes, 2008).

### 2.2.5 User Friendliness of Performance Appraisal Form

Previous studies have indicated that performance appraisal needs to be user friendly to both the supervisors and employees. Gold, (2010) there are several factors to be considered to ensure that the performance appraisal instrument is user friendly. The content should be properly rated on the usability of the system, easy to answer questions, consistent document layout and free from unnecessary questions. It should be time rated on the amount of time required to answer all the questions, less questions means less time is needed to complete the form. It should be clear and not ambiguous; the questions should be direct and be straightforward. The layout or format of the form should be economical. The usage of ICT tools and devices may help to replace the traditional format of the forms. There are systems that can be used to assist supervisors and managers with situation assessment and long-range planning as argued by Bridger, (2014)

### 2.2.6. Regular Review of Performance Management

Lack of constant review of performance management system to align with changes in the organization is a common phenomenon in many organizations. The performance management system can be a good mechanism for quality assurance if implemented in the right manner and enabling environment. According to Newstrom, (2011) study, though limited in scope, clearly showed that performance management systems need to be reviewed on a regular basis to make them compatible with international trends of making businesses more responsive to the needs of the clients. Most performance management systems, while well-intentioned, are fraught with

numerous challenges that impact on its implementation. This ranges from lack of regular system review, lack of training on performance management, shortage of resources in organizations, abuse of the system as well as lack of reward. These impediments need to be addressed with a sense of urgency if at all the performance management system is to remain credible in the eyes of the stakeholders (Robbins, 2007).

### 2.2.7 Top Management Commitment

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 organization and to accelerate the management of change and employee buy in (Martin, 2009).

### 2.2.8 Training and Awareness

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. Therefore, communication between supervisors and subordinates must be good in order to enable the organization to realize the desired mission of the organization. Training and awareness have been found to play an important role in ensuring the success in the performance management implementation (Tobin, 2008).

### 2.2.9. Cultural Change Aspect

The cultural change aspect is also a major element that has requires the attention from the management of the organization. Most literature reviews have stated that cultural changes could have major impact on any implementation of performance metrics as argued by (Vukotich, 2014). The organizational understanding of the work processes is an important characteristic in the Balance Score Card (BSC) implementation as well as the ultimately customer satisfaction that has been the main priority for most organizations. Therefore, the PMS used should be capable of tracking the customer needs and wants according to (Bogetoft, 2012). In addition, Berry, (2004) stated that organizations should attach the success of any performance metrics implementation to the financial benefits accrued. This is because it has been one of the four critical perspectives in the BSC framework. However, Clardy, (2013) proposed that clear performance metrics is an equally important characteristic because quite often, the difficulty and

problems in identifying what to measure has created problems in the implementation of the performance metrics.

## 2.2.10 Agreement on Performance Metrics

Management and employees depend heavily on the agreement of the performance metrics to be used. Therefore, it has been found to be quite paramount for the employees especially at the managerial level in organizations to understand the metrics before involving themselves in the implementation processes. According to (Aguinis,2009), 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. Therefore, organizations should give priority to the clients by way of increasing the level of service quality and improving work related attitude among the employees. According to (Sparrow, 2012), there are a number of reasons for the failure of Performance management systems. More often than not, systems are used and supported by top management. Supervisors view the system as an administrative burden and do not see the benefits of energy invested in making the system work. Performance objectives are written so subjectively that measurement is not possible. Performance objectives set at the beginning of the year appear to be less important by end of the year if linked to certain projects that were not deemed to be critical success factors. Managers are unable to give feedback and deal effectively and constructively with the conflict generated by the assessment of employees' performance. During the last two decades, an increasing number of organizations have implemented Performance Management Systems that are based on Critical Success Factors and Balanced Scorecards. (Hetty, 2008) describe the results of a study that confirms organizations that balance financial and non-financial measurements, but also link strategic measures to operational ones, they update their strategic scorecard regularly and also communicate measures and progress to all employees, are better performers. (Armstrong, 2003) 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.

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 organization's KPIs (Drewitt, 2013). This is one of the practical problems that have been raised in this research.

## 2.3 Types of Performance Management System

### 2.3.1 360 Degree Feedback Appraisals

360-degree feedback appraisal is a powerful developmental method and is quite different compared to the traditional manager-subordinate appraisals. This method does not replace the traditional one-to-one process and can be used as a stand-alone developmental method. This method involves the appraise receiving feedback from people whose views are considered helpful and relevant. The feedback is typically provided on a form showing job and skills criteria and scoring or value judgment system. The appraisee should also assess himself or herself using the same feedback instrument or form (Gold, 2010)

### 2.3.2 Balance Score Card

Balanced scorecard is increasingly being used as a strategic performance management tool in both public and private sectors. This adoption has encouraged evolution of the balanced scorecard methodology over the last two decades. Although, the available generations of this methodology are readily adoptable for private sector organizations, public sector organizations present diverse challenges for balanced scorecard. This is further complicated by the fact that scholarly works on strategic performance management have predominantly focused on private sector organizations (Foss, 2007)

The model for performance evaluation and control known as Balance Score Card came to collaborate with SI and continuous improvement of processes, enabling organizations to establish actions aligned to their strategy aiming to create value. BSC contributed to meet shareholder, employee and customer expectations, to the achievement of strategies and, still, to improvement in services, internal processes, learning and innovation. Such model can help to disseminate the strategic plans of an organization at all levels, aiming to guide people's actions towards improvement of present and future performance (Julnes, 2008).

### 2.3.3. Management by Objectives

Management by Objectives, or MBO, is a management strategy that uses the S.M.A.R.T. goals method--setting objectives that are specific, measurable, achievable, realistic, and time-based.

This article discusses the first steps toward implementing this management method in your department (Tobin, 2008) As a practical implication, this study supports MBO at team level. It shows that, if group members are committed to their goals, both group productivity and job satisfaction of team members can be improved. Group effort and collective planning seem partially to mediate this effect on job satisfaction. These results show that MBO can be an effective tool for leading self-regulating teams (Sparrow, 2012).

### 2.3.4. Self-Appraisal

Employs should consider their strengths and weaknesses when conducting self-appraisal as found out by (Raatma, 2003). They should brainstorm a list of strengths and the tasks or skills they enjoy the most. They should then take an honest look at areas where you could improve. Improvement areas might include time management skills, speaking in front of groups, leading projects or even improving processes. Consider feedback you've received from others during the year and think about any areas where you've struggled or felt you could have done better. The correlation between self-appraisal and appraisal of others had three outcomes (Robbins, 2007) the respondents displayed a ''self-other bias such''. Positive attributes were more descriptive of self than others. Negative attributes were rated less descriptive of self than others. For those with high self-esteem, they had a similar regard for others. They also evaluated themselves favorably than other people. Self-evaluations were more favorable than evaluations of friends. People with high self-esteem appraised their friends more positively than they appraised the average person. It was also found that the tendency for those with high self-esteem to favorably judge themselves and their friends showing a high need for social approval. The findings shed light on motivation to enhance self-worth and are integrated with current evidence that the use of self-enhancing strategies promotes psychological wellbeing.

### 2.3.5 The Critical Incidents Method

It is a performance appraisal method in which a manager keeps a written record of positive and negative performance of employees throughout the performance period. There is no standard form used, so it is a method. Most formal reviews take place only once or twice a year. Do you want to wait for formal reviews to talk to employees about what they are doing well and when they are not performing up to expectations? According to Varma, (2008), it is important to let them know how they are doing on an ongoing basis. Also, let's say we are a manager with 12

employees. Can we remember everything each of them did well, and when they messed up, and on what dates, so we can evaluate their total performance for the past 6–12 months? Very few, if any, of us can say yes. According to the findings of (Piskurich,2006), many managers don't keep a record of critical incidents, which leads to problems of accurate measures during the formal review meeting. We use critical incidents to do a good assessment of the entire review period, and we coach when needed during the entire review period for developmental decisions. We need to continually conduct informal coaching and disciplining when needed as we make notes of critical incidents to use during the formal review. With clear standards and coaching, you can minimize disagreements over performance during the formal performance appraisal because there are no surprises, because employees know what is coming.

### 2.3.6 Peers

Peers in an organization are involved in the appraisal of their colleagues. Peer evaluation can be used when the supervisors are frequently absent or as an additional review to confirm the findings of the supervisors (Reynolds, 2009). Employees also interact with other members of the staff frequently. At times, peers may have a better and clear understanding of what their colleagues are doing since they interact on a daily basis. They are also more directly affected by the employees' actions either in a positive manner or negative manner. In addition, peers can also evaluate the ability of their colleagues since they interact individually or in groups.

There are setbacks the come up in peer evaluations. At times fellow colleague may not be objective and they become biased (Vukotich,2014). There is no clear research evidence concerning the validity of peer evaluations. Personality conflicts can also affect how peers evaluate each other (Abston,2011).

### 2.4 Human Resource Development and Performance Management

Human Resource Development and Performance Management According to Sari (2009), training and development is seen as one of the key practices of HRM and it refers to the programs designed to teach the employees about the company specifics, educate them on the general rules of an organization, to provide them technical knowledge which is considered important to complete the job tasks effectively and to eradicate the probable imperfections at work. The conceptualization of HRD by the various scholars point out the fact that it is a medium by which employees in an organization are transformed from their present state, to a desired state of affairs

in the area of improved skills and knowledge through training (capacity building) ability for the purpose of achieving enhanced performance of organizational workforce. This means that an organization that lacks the ability to improve its employees in the area of training for required skills and knowledge through the adoption of the strategy of HRD is more likely not to have in its employment the competent manpower needed to achieve its goals of enhanced products/service delivery for profit maximization (Eseme, 2012)

## 2.5 Performance management and Reward system

It is now obvious that compensation both financial and otherwise is of importance to both the employees and employers. Compensation is the major element to influence organization's staff. When workers are properly and fairly compensated, the more they will perform better at the same time, organizational performance will increase. When workers are adequately compensated, the better they perform. Compensation is a core motivational tool for employees and this motivation is defiantly going to reflect on the organizational performance. (Bilal and Raja, 2011: pp 907-913). Compensation and reward is the remuneration received by an employee in return for his/her contribution to the organization that is performance. It is organized practice that involves the work-employee relationship by providing monetary and non-monetary benefits to employees (Malhotra, Budhwar, & Prowse, 2007). It is an integrated part of HRM which help in motivating 31 the employees and ensuring long term retention of employees. While employers pay more attention toward optimum performance and generate greater profit, they also expect to have faire share in the business process. Therefore, a fair and equity-based compensation system is must for every business organization (Mujtaba & Shuaib, 2010).

Reward management is one of the strategies used by human resource managers for attracting and retaining suitable employees as well as facilitating them to improve their performance through motivation and to comply with employment legislation and regulation. As a result of these pressures, HR managers seek to design reward structures that facilitate the organizations strategic goals and the goals of individual employees. (Maund, 2001). Compensation and reward systems are directly linked with the overall performance management systems. During the performance appraisal cycle, the supervisor is responsible for monitoring and evaluating an employee performance, identifies the specific outcome and behavior that deserves to be compensated and finally recommended appropriate rewards that match performance at the end of

each appraising period as per of company policy (Onge, & Teh, 2012). The rewarding system can also act as a tool of positive reinforcement for desired behavior to be reapted and play an important role in total reward system in which each reward element is linked together and treated as integrated and coherent whole. These elements comprise base pay, contingent pay, employee benefits, and non-financial rewards which include intrinsic rewards form the work itself (Niki, Nili, & Nilipour, 2012). It is sometimes assumed that the main purpose of performance management is to generate rating to inform contribution or performance related pay decision and it will provide rating for the whole range of rewards in order to encourage job engagement and promote commitment. Sound compensation system is a hallmark of organization's success which the success is due to high performance of its employees. The success and stability of the business is measured the pay package it provides to its employees (San, Theen, & Heng, 2012). As dictated by Houldsworth and Jirasinghe (2006), the following are the types of rewards which can be linked to the performance of individuals:

 • **Base salary progression** - Increases in pay linked to performance are within a set pay range. This type of reward is used for all employees in the organization 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 organizational 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 organization is performing overall.

• **Recognition awards** - These types of rewards are given to the individuals whose performance in the organization is exceptional. The culture of the organization should be embedded in these accomplishments.

**2.6 Implementation challenges of 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 organization it would require focus and time. The organization 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 utilizing Performance Management.

• Lack of management commitment' - If management demonstrate a lack of commitment to the implementation the employees will also not take it serious. Line managers need to show a real sense of ownership during implementation of PMS.

• Organizational 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 organization 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 organization 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 organization 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.

• Evaluating Performance- Traditionally, performance evaluations are an annual or semiannual event that at times can be seen by employees as routine and insignificant. Evaluating performance competencies is usually the most difficult part of performance management. Line managers are generally less comfortable discussing and giving feedback on behaviors, and because they are more subjective and less quantifiable than objectives, as a result managers tend to avoid this area.

It is important to periodically monitor the system, revise portions of it when necessary, and refresh people's interest in the system. Too often, organizations ignore the system and then are faced with completely dismantling it after the system has become out of step with the times, or employees mistrust its use. (Bourne et al., 2000). In addition, De Waal and Counet (2008)

highlighted other problems facing organizations in PM implementation, such as unclear strategy, lack of a performance measurement culture, organizational instability, and the low priority accorded to the PMS

## CHAPTER THREE

## RESEARCH METHODOLOGY

This part of the study consists research design, population, sample size, and sampling techniques, source of data, data collection tools and data analysis method that the study used.

### 3.1 Research Design

This study has used a descriptive type of research through surveys to assess performance management practices and challenges in DEBUB GLOBAL Bank of Ethiopia. This type of research helps to portray accurately the characteristics of a particular individual, Situation or a group (Creswell, 2003).

The descriptive survey research design is appropriate choice, because the study is aimed at assessing the implementation of the performance management system of the bank. This study has applied both qualitative and quantitative approach (mixed method approach). The core argument for a mixed methods approach is that the combination of both forms of data provides a better understanding of a research problem than either quantitative or qualitative data by itself. Mixed methods designs are procedures for collecting, analyzing, and mixing both quantitative and qualitative data in a single study or in a multiphase series of studies (Creswell, 2012). Hence, by applying the mixed method the researcher has tried to ensure the strength of the findings towards being more objective and generalizable to the entire population.

### 3.2 Population and Sampling Procedures

### 3.2.1 Population

The target population for this study was employees of Debub Global bank. The intention of the study was to assess the current performance management practice in the bank.

### 3.2.2 Sample size

As of December 2019, according to Debub Global bank Human resource data the current total number of employees working in the Debub global Bank of Ethiopia is 638 (six

hundred thirty-eight) employees (DGB, 2019). because of the scattered and dispersed location of the employees it very difficult to take the whole employees as a sample population. Because the bank had branches in the remote area of the country where, there is no network. So, for the homogeneity and similarity of the bank's structure and for the convenience of the area to collect the questionnaire, the researcher by far will limited the target population in to employees of four districts in Addis Ababa.

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

Where n= the required number of samplings

N=number of total populations

e= is the level of precision or sampling error= (0.05)

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

$$= \frac{638}{1 + 638(0.05)^2} = 246$$

### 3.2.3. Sampling Technique

As discussed above, this research aimed at assessing performance management practice and challenges in the DGB bank of Ethiopia. So, the total population of the study was employees of the bank which is 638. Though, incorporating all employees" idea on the analysis would have been better for conclusion and generalization, economically and operationally it would be very difficult to contact all employees in the research. Therefore, taking a respective (246 employee) sample of the population of the employees has found to be feasible.

In selecting samples from targeted population that each element in the population had equal chance of being included in the sample. The researcher used simple random sampling method in determining sampling population that is selected from four districts in Addis Ababa. Random selection is a procedure through which a sample of participants is chosen from the population of interest in such a way that each member of the population had an equal probability of being selected to participate in the study (Kazdin, 1992).

### 3.3 Source and Methods of Data collection

Both primary as well as secondary data used as inputs for the research. The source of data mainly depend on the primary data source. This is due to the research needs to internalize the employees' job performance along with their perception towards the current performance management system. Some secondary data collected from different books and company's manual in relevant to the topic being addressed. While the primary data collected from the questionnaire distributed.

First the reliability and validity of research instrument has checked, then after questionnaires have distributed to the participants of the study. After the questionnaires are carefully filled, the researcher personally has collected and arranges the completed questionnaires and compiled for data discussion and analysis. Finally, the collected data inserted into data set and make ready for data analysis and discussion by using statistical package for social sciences (SPSS) Version 20

### 3.4 Methods of Data Analysis

Data collected from the completed questionnaires were inspected first of all, cleaned, transformed and collated into useful information for easy comprehension. After that the data were modeled into coded categories to facilitate analysis. The researcher, with the aid of Statistical Package for Social Sciences (SPSS) version 20, and presented the final data in tables. The SPSS was used to obtain frequencies and percentages of close ended responses. The qualitative data obtained document analysis will be analyzed qualitatively and presented in the form of a summary. On the other hand, the quantitative data obtained through the questionnaires will be analyzed descriptively in terms of frequencies; results will be presented in tables. Then, the findings will be interpreted and discussed in relation to the research questions, literature review and the theoretical framework regarding effective PMS. Therefore, more of quantitative procedures combined with some qualitative procedures will be used to analyses the data collected for this study.

### 3.5 Reliability and Validity

Reliability refers to the consistency or dependability of a measurement technique, and it is concerned with the consistency or stability of the score obtained from a measure or assessment over time and across settings or conditions. If the measurement is reliable, then there is less chance that the obtained score is due to random factors and measurement error (Geoffrey M.,

David D. & David F. 2005). Cronbach's alpha is a measure for the internal consistencies of the items that together cover the specific factor. It measures internal consistency of items to the concept (Raigama R. 2010). Hence, before administering the questionnaire on the sample selected, it was tested and checked on a pilot scale for its reliability and the value of Cronbach's α (alpha) was calculated

**3.6 Pilot Test**

Pilot Test The questionnaires were first tested before distributing to the respondents so as to check their viability. The questionnaire test was done by distributing 30 questionnaires for employees. Convenient sampling was used to test the questionnaires. After testing and making revisions, questionnaires were finally distributed to sample respondents.

**3.7. Ethical Considerations**

Respondents who complete the questionnaire informed about the purpose of data collection, analysis and the covenant to maintain privacy of their responses. Participants informed about the purpose of the study and their privacy and dignity will be also maintained. Confidential information of the organization will not be disclosed, and the collected data used for the intended purpose of the study only. Regarding published and unpublished materials used in the literature review and throughout the study, all citations from copy right holder get acknowledged.

# CHAPTER FOUR

## DATA ANALYSIS AND PRESENTATION

This section deals with the analysis and interpretation of data collected from the survey questionnaire. Responses for the measures on the questionnaire are summarized and presented using tables, graphs, and charts to facilitate easy understanding. Out of the 246 distributed questionnaires, 218 was filled by respondents and collected. The first section deals with demographic characteristics of the respondents while the second presents findings of the analysis basing the objective of the study as explored by the questionnaire. Respondents' response was measured using five-point Likert scale from '1' being 'strongly disagree' to '5' being 'strongly agree'. Once collected the data were tested for internal consistency using the commonly used statistical tool –Cronbach's Alpha coefficient. The result indicated that the collected data are highly reliable with Cronbach's alpha coefficient as shown in the table below. The closer the coefficient is to 0.7 the greater the internal consistency of the data, which implies that the data is qualified for further analysis. (Nunnally, 1978)

**Table 1 Reliability Statistics**

| Cronbach's Alpha | No of Items |
|---|---|
|  |  |

| | |
|---|---|
| .961 | 46 |

*Source: own survey*

## 4.1 Demographic Characteristics of Respondents

Below is a presentation of gender, age, educational level, and work experience distribution of the survey questionnaire respondents.

**Table 2. Demographic Characteristics of Respondents**

| Statistics | | | | | |
|---|---|---|---|---|---|
| | | Gender | Age Group | Education | Work Experience |
| N | Valid | 218 | 216 | 216 | 217 |
| | Missing | 0 | 2 | 2 | 1 |

| Gender | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Male | 117 | 53.7 | 53.7 | 53.7 |
| | Female | 101 | 46.3 | 46.3 | 100.0 |
| | Total | 218 | 100.0 | 100.0 | |

| Age Group | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 20-30 | 124 | 56.9 | 57.4 | 57.4 |
| | 31-40 | 90 | 41.3 | 41.7 | 99.1 |
| | 41-50 | 2 | .9 | .9 | 100.0 |
| | Total | 216 | 99.1 | 100.0 | |
| Missing | System | 2 | .9 | | |
| Total | | 218 | 100.0 | | |
| | | | | | |

| Education | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Diploma | 3 | 1.4 | 1.4 | 1.4 |
| | Degree | 202 | 92.7 | 93.5 | 94.9 |
| | Master's | 11 | 5.0 | 5.1 | 100.0 |
| | Total | 216 | 99.1 | 100.0 | |

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Missing | System | 2 | .9 | | |
| Total | | 218 | 100.0 | | |
| **Work Experience** | | | | | |
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 1-3 | 144 | 66.3 | 66.3 | 66.3 |
| | 4-6 | 70 | 32.1 | 32.3 | 98.6 |
| | 7-10 | 2 | .9 | .9 | 99.5 |
| | Above 10 | 1 | .5 | .5 | 100 |
| | Total | 217 | 99.5 | 100.0 | |
| Missing | System | 1 | .5 | | |
| Total | | 218 | 100.0 | | |

*Source: Survey Questionnaire 2021*

From Table 2 all the respondents have answered their work experience with missing replies of 2, 2 and 1 for the demographic characteristics of age group, education, and work experience respectively.

As can be seen in the table, most of the respondents are male  (n=117, =53.7%) and the rest (n=101, %=46.3) are female. This only implies that the number of male respondents is higher than females.

As it can be seen form the Table the majority of the respondents (n=124) fall in the age group of 20 – 30, 41.3% of the respondents (n=90) fall on the age group of 31– 40 and, only 2 of them fall on the age group of 41 – 50; which in summation indicates that the majority of the respondents (about 56.9%) are in the range of 20-30 leading it to be the majority of the respondents about 98.2% are below the age of 40. This figure again indicates that the work force in these specific positions is composed of mainly young employees, which is an advantage for the organization to operate in such dynamic environment since young workforce is believed to be easily adaptive to change and willing to face new challenges in different edges.

The above table shows that only 3 respondents (1.4%) are Diploma holders, 202 respondents (92.7%) have a bachelor's degree and the rest of the respondents (5.0%) have master's degree. This shows that majority of the respondents are educated to a level of bachelor's degree and being followed by holders of master's degree.

With regard to Table when we look at the tenure of respondents in the organization, 66.3% of the respondents have one to three years of service in the bank, 32.1% of the respondents have 4-6 years of service in the bank, 0.9% of the respondents have been working for the bank for over 7-10 years, 0.5% of respondents have been in the bank i.e., for more than 10 years. This shows that majority of middle and higher-level positions are occupied by employees having one to three (n=144) and four to six years of service (n=70) in the organization. As a result, it is believed that their tenure in the case organization is long enough to participate and provide valuable input in the assessment.

## 4.2 Descriptive Analysis of Responses for Major Process Of Performance Management Practice

In order to see the general perception of the respondents regarding the processes of performance management practice in the subject organization, the researcher has included the measures stated in the coming tables followed by analysis and interpretation supplemented using frequency tables, percentage. To simplify interpretation of the results, ratings of *agree* and *strongly agree* are grouped as agreement and ratings of *disagree* and *strongly disagree* are grouped as disagreement.

## 4.3. Prerequisites of Performance Management

In order to measure the initial part of the process of performance management, respondents were provided with 8 queries on the prerequisites of performance management process. The summary data is presented below with the responses in the table.

Accordingly, the primary section in the category is intended to assess the strategic alignment of objectives at different levels in the structure of the case organization. Hence, the first question was asked to measure the awareness of employees on the organization's mission, vision and goal; in this regard, as indicated in the below Table 4.6, 210 respondents (96.3%) consider that they are well aware of the mission, vision and goals of the organization while 8 (3.6%) respondents remained neutral. Here, it is observed that most employees in the case organization are well aware of the subject, which indicates that the organization has worked well in this regard.

**Table 3. Responses for Prerequisites of Performance Management**

| Alignment items | Strongly Disagree | Disagree | Neutral | Agree | Strongly agree |
|---|---|---|---|---|---|
| | Response rate | | | | |
| I am aware of DGB's mission, vision, and goals | - | - | 8 | 181 | 29 |
| I understand how my job supports my department's goal/objective | - | 15 | 10 | 162 | 31 |
| I know how my department objectives support the overall DGB's mission and strategic goals | - | 5 | 7 | 165 | 41 |
| My duties and job responsibilities are clearly defined to my understanding | 3 | 85 | 35 | 93 | 2 |
| I have sufficient knowledge about the job I am expected to do | 6 | 26 | 13 | 163 | 10 |
| I have received required trainings and coaching to succeed in my position | 1 | 77 | 31 | 109 | - |
| My job description is updated | 28 | 53 | 28 | 109 | - |
| I have the knowledge, skills, and abilities necessary to manage performance effectively | - | 16 | 25 | 122 | 55 |

*Source: Survey Questionnaire 2021*

According to table 3 concerning individual-departmental goal alignments, 210 (96.3%) respondents believe that they have full understanding on how their job supports their department's goal. Similarly, regarding department-organization goal alignment, the majority of the respondents (n=206 94.4%) expressed that they know how departmental objectives support the overall mission and strategic goals of the organization, where 7 individuals voted neutral on the issue and 5 individuals disagree.

As suggested by Armstrong (2009), the aim of goal integration is to focus people on doing things with the organizational standard in order to achieve a shared understanding of performance requirements throughout the organization. This integration is achieved by ensuring that everyone is aware of corporate, functional and team goals and that the objectives they agree for themselves are consistent with those goals and will contribute in specified ways to their achievement. Coming back to the above figures, it is comprehensible that the target organization is doing fine in cascading organizational mission, goals, and objectives. However, though the aggregate shows reasonable outcome, the organization should still work on improving and sustaining this performance. Particularly, it should progress the awareness of employees on how departments contribute to the achievement of organizational goals.

Additionally, respondents were asked whether their job and responsibilities are clearly defined up to their level of understanding and the majority (n= 95 and 43.5%) of them confirmed by agreement that they have clearly defined jobs, 88 (40.3%) of them disagreed and 35 (16%) of the respondents replied neutrally. This indicates that the target organization is not performing well in orientating and mentoring of new job responsibilities to employees.

As presented in Table 3 respondents were asked about if they are knowledgeable concerning the job that they are expected to do and 25(11.46%) responded neutrally and the majority 177 (81.1%) of them agreed that they have sufficient knowledge on their duty whereas 16(7.3%) has disagreed.

On the other hand, concerning the provision of preliminary job-related trainings and coaching to new employees or newly assigned tasks, respondents replied as: 109 of them (50%) agreed, 31 (14.2%) of them stood neutral and 78 (38.5%) of them disagreed that they were given job related trainings and coaching at the time of joining the organization and/or at the start of new assignments. These figures indicate that employees are being provided with training which still needs great attention. Assigning tasks for employees who are less capacitated and expecting goal attainment does not seem meaningful. Hence, the organization needs to do much in enabling employees to be acquainted with their expected assignments and make them skilled enough to accomplish the assigned tasks.

Furthermore, about having updated job description, respondents reacted and 81 (37.1%) of them disagreed, 28 individuals (12.8%) selected neutral and the rest 109 (50 %) has agreed that their

job description is updated. Michael Armstrong (2009) suggests that updated job descriptions and role profiles are essential and will help employees during objective setting. He also added that maintaining updated job description is the key technique to stay competitive as an organization. Even if, the above figure shows updated job description are maintained; a lot more is needed to be done regarding this.

On the last measure of prerequisite i.e., possessing the knowledge, skills and abilities that are necessary to manage performance effectively, 16 respondents (7.3%) disagreed, 25 (11.4%) remained neutral and the remaining 177 respondents (81.1%) agreed that they have the required skills and abilities to manage performance and play in the performance management system actively. Herman Aguinis (2009) states that it is mandatory to clarify employees about the performance management system, how to operate and actively participate in the processes. And again, to develop standardization and make the practice consistent across people and time, the ongoing training of the individuals in charge of appraisals, usually managers, is a must. Based on the above figures, it is seen that about 81.1% of the employees have the knowledge skills and abilities of managing performance. Therefore, this indicates that the case organization have done more on training of employees and their supervisors to make them active participants in the process.

### 4.4. Performance Planning

At the second component of performance management process i.e., performance planning, respondents in the research reacted on the blow listed 4 questions. Their proportionate summary and description are shown here under in Table 4 and the subsequent paragraphs.

**Table 4. Response on Performance Planning**

| Response rate | | | | | |
|---|---|---|---|---|---|
| Planning | Strongly Disagree | Disagree | Neutral | Agree | Strongly agree |
| Objective setting is done jointly by me and mu supervisor | - | 73 | 37 | 69 | 36 |
| My supervisor clearly explains what s/he expects from my | 25 | 45 | 13 | 108 | 25 |

35

| | | | | | |
|---|---|---|---|---|---|
| performance | | | | | |
| I set SMART Objectives | - | 2 | 17 | 127 | 72 |
| Developmental plans are prepared jointly by me and my supervisor | 36 | 77 | 27 | 69 | 8 |

*Source: Survey Questionnaire 2021*

Moreover, for the query intended to examine the provision of clear explanation by supervisors about performance expectations, 70participants (32.1%) disagreed, 13 (6%) respondents stayed neutral and the majority (n=133, 61.5 %) respondents agreed that they typically receive clear explanations on performance expectations during the planning phase of performance management. Therefore, it can be inferred that the organization is functioning well in this direction. But, as setting clear expectation is essential to goal achievement, there is a need to improve the provision of clear performance expectations with consistency.

It is clearly stated by Michael Armstrong (2009) that setting SMART objective is fundamental in performance management. If this stage is not done well, the whole practice will be uncertain to achieve the major goals in implementation of the system. Respondents were asked if they set SMART objectives during the planning phase, then, 2 participants disagreed, 199 individuals (91.2%) have agreed that they practice this stage well and as per the expected standard, while the remaining 17 respondents chosen neutral. As stated above, setting SMART objectives is a cornerstone in the practice of performance management, and the respondents' figure in this measure is pleasing.

At the last enquiry of the performance planning portion, the practice and cooperativeness of employees and their supervisors on preparation and setting of development plans was asked. Here, 113 responses (52%) were disagreement, 77 responses (35.4%) were agreement while the remaining 27 individuals (12.4%) voted neutral. Thus, it can be said that the case organization is not performing good in relation to staffs' collaboration and practice of development planning and related activities.

### 4.5. Performance Execution
In the assessment of the execution phase, as portrayed below in Table 4.12, respondents were asked to rate their opinion on 6 measures of the practice.

**Table 5. Statistics of Performance Execution queries**

| | Response rate | | | | |
|---|---|---|---|---|---|
| Performance Execution | Strongly Disagree | Disagree | Neutral | Agree | Strongly agree |
| My supervisor gives me ongoing feedback that helps me to improve my performance | - | 72 | 13 | 133 | - |
| My supervisor provides timely feedback on my performance | - | 75 | 10 | 131 | 2 |
| My supervisor provides me coaching to improve performance on regular basis | - | 111 | 17 | 90 | - |
| My supervisor documents major performance events on feedbacks over performance period | 30 | 144 | 27 | 14 | - |
| I am provided with resources to perform and produce the expected results | 43 | 73 | 27 | 71 | 2 |
| My performance information is used to set priorities for personal development | 46 | 114 | 24 | 32 | 2 |

*Source: Survey Questionnaire 2021*

First of all, on the subject of "provision of ongoing feedback from supervisors which helps to improve performance", 72 respondents (33%) disagreed on the issue, 13 individuals (5%) kept neutral and the remaining 133 participants (61%) agreed that they receive ongoing performance related feedbacks from their supervisors. Here, it can be inferred that the majorities did agree by the presence of ongoing feedback. As Michael Armstrong (2009) mentioned, "ongoing feedback by managers is strongly related to performance management effectiveness". Therefore, the case organization should keep commit itself to consist in this regard.

As portrayed in the above Table 5 query was forwarded to respondents concerning the availability of appropriate and well-timed feedback from bosses on employee's performance. Then, 75 respondents (34.4%) disagreed, 10 participants (4.5%) stood impartial and 133 of the respondents (61%) acknowledged the existence of timely feedbacks from their supervisors on job performance. Here, it is observed that employees get timely feedbacks from supervisors.

In general observation, both ongoing and timely feedbacks from superiors to subordinates in the case organization is appeared to be higher. It is clearly stated by (Lee, 2005) that the longer the gap between performance events and performance feedback, the greater the challenge of remembering with clarity the character and quality of the performance events.

Then again, in relation to the presence of consistent coaching for the improvement of employees' performance, 111 respondents (50.9%) disagreed, 17 employees (7%) choose neutrality and the remaining 90 individuals (41.2%) indicated their agreement on the presence of coaching in a consistent manner. Coaching also appeared to be adequately practiced in the organization. As the central aim of the application of performance management is improving individual performance to achieve organizational goals, coaching is a mandatory practice.

On the other hand, to measure the status of supervisors on documentation of major performance events and feedback points through the performance period, 174 respondents (80.9.2%) showed disagreement, 27 of them (12.5%) selected neutral and 14 participants (6%) agreed on the presence of proper documentation of major performance actions over the periods by managers and employees. As improper documentation exposes the system to bias and subjectivity, it is not optional to create appropriate and organized documentation practice in the organization. As per the responses the organization under study has no an appropriate and organized documentation practices which need to be kept in consistence.

On the issue of delivery of resources by supervisors and the organization which are necessary to execute and accomplish in line with the established performance expectation, 116 respondents (53.7%) disagreed, 27 persons (12.5%) reserved neutral and the 73 (33.7%) of the respondents confirmed the consistent supply of essential resources by the organization and supervisors in the execution of planned performance. In this regard, it can be inferred that the organization is not functioning well and should work to maintain this performance.

The last issue being addressed by the respondents was if their performance information is used to set priorities for personal development and from the respondents 160 (73.3%) of them disagree, 24 respondents (11%) were neutral and 34 respondents (15.5%) agreed upon resulting a favorable implication of performance information for once development.

### 4.6. Performance Assessment and Review

With regard to the last stages in performance management process, respondents were provided with 8 queries on assessment and review of measures.

**Table 6. Responses of Performance Assessment and Review**

| | Response rate | | | | |
|---|---|---|---|---|---|
| Performance Assessment | Strongly Disagree | Disagree | Neutral | Agree | Strongly agree |
| I am given a chance to assess my own performance | - | 72 | 13 | 133 | - |
| My performance is rated based on the standards established | - | 75 | 10 | 131 | 2 |
| The evaluation rating, I get reflects my actual performance during the specific performance period | - | 111 | 17 | 90 | - |
| My self-rating and supervisor's rating are always similar | 30 | 144 | 28 | 14 | - |
| There is free discussion with my supervisor during performance review | 43 | 73 | 27 | 71 | 2 |
| If I do not accept the rating that my supervisor provides, there is an appeal process in DGB | 46 | 114 | 24 | 32 | 2 |
| My future development plans are discussed and agreed after the | - | 72 | 13 | 133 | - |

| | | | | | |
|---|---|---|---|---|---|
| assessment | | | | | |
| I have received the recommended trainings in accordance with my performance gap and the job's necessity | - | 75 | 10 | 131 | 2 |

*Source: Survey Questionnaire 2021*

The first enquiry was made to assess whether they were given a chance to assess their own performance and 72 of the respondents (33%) disagreed, and the majority 133 (61%) respondents agreed while 13 respondents (5%) remain neutral that they got a chance to assess and rate their own performance during this phase. As indicated by Herman Aguinis (2009) Self-appraisals can reduce an employee's defensiveness during appraisal meeting and increase the employee's satisfaction with the performance management system. As well, it enhances perceptions of accuracy and fairness and as a result acceptance of the system. Accordingly, based on the above percentage, it is the researcher's view that the case organization is performing well in this side.

Moreover, the assessment continued by questioning if employees' performance is rated based on the established standards, and 75 respondents (34.4%) disagreed on this issue, 10 of them (4%) stood neutral and 133 of the respondents (61%5) expressed their agreement on the objectivity of the rating on their performance. Here, the cumulative of disagree and neutral (i.e., 38.4%) of respondents indicated that there is less subjectivity in performance evaluations.

In addition, for the inquiry "the evaluation rating I get reflects my actual performance during the specific performance period", 111 respondents (50.9%) disagreed, 17 individuals (7. %) chose neutral and 90 respondents (41.2%) approved that the ratings are explicitly reflective of their actions during those specific performance periods. Here, above half of the respondents are unhappy with the ratings' time-specificity. This issue was also discussed earlier in this chapter at the planning phase, particularly at the measure of setting SMART objectives. At that stage, the researcher has observed that more than half of the respondents were as expected as practicing in the standards of objective setting. It is unquestionable that quality planning and objective setting affects the whole processes of PM particularly the rating stage.

On the fourth query of assessing the similarity and the comparison of employee self-rating and supervisors' rating, 174 respondents (80.5 %) disagreed and were neutral on the existence of similarity on theirs and supervisors rating, while only 14 (6%) respondents showed their agreement on the idea of self-rating and supervisory rating similarity the rest 28 remain silent. Here, the presence of regular and timely feedback and communication could be a reason for lower responses of mismatches. Beyond this, dissimilarity in performance ratings could have different causes, and these causes should have to be investigated further.

Again, respondents were asked to show their reflection on the occurrence of free discussion with their supervisors during performance review meeting and 116 respondents (53.7%) disagreed, 27 of them (12.5%) stood neutral and the remaining 73 (33.7%) has agreed on the presence of free discussion with supervisors on review meetings. The presence of fee discussion during review meeting is helpful in creating smooth relationship between the parties and thereby increases the acceptability of the system.

The researcher continued the assessment by examining the presence of appeal procedures whenever disagreement occurs during evaluation. In this regard, 160 respondents (73.3%) showed their disagreement, 24 individuals (11%) stayed neutral and 34 respondents (15.5%) confirmed the presence of appeal opportunity at the time of disagreement with supervisors concerning evaluation ratings. The case organization is not functioning well concerning the "correct-ability" of ratings according to the above figure as a result still a lot more to do. Aguinis (2009) in his book described that establishing an appeals process, through which employees can challenge what may be unjust decisions, is an important aspect of a good performance management system which again escalates acceptability of the system by the users.

As it is mentioned, the main objective of contemporary performance management systems is to develop the skills of employees. In contemporary performance management, at the end of assessment and evaluation phases, there must be discussion about employees' future development plans. To assess the presence of these discussions of future development plans at this particular stage, employees were asked about their experience and 72 of them (33%) disagreed on the issue, 13 of the respondents (5%) were neutral and 133 of the respondents (61%) agreed that they discuss about their future development plan during assessment and review with their supervisors.

During assessment, it is expected that employee's improvement areas will be explored. Then, needed trainings will be recommended as per the identified gaps. As portrayed above in the Tables question was forwarded to respondents to check if they have received the recommended trainings on the identified performance gaps, and the vast majority (n=133, 61%) agreed, 10 respondents (4%) stood neutral and only 75 of the participants (34.4%) showed their disagreement on the provision of proposed trainings during performance evaluation. Here, it can be seen that significant number of respondents have received the trainings proposed by their supervisors. In modern PMS, at the completion of performance management process, there are expected reactions by the management based on the results of the evaluation. Mostly, whenever the evaluation results do not exceed expectations, training and development of employees is mandatory according to Michael Armstrong (2009). Even if the ratings exceeded established expectations, employees will further be developed and trained to take the next step in their future career in the organization. In this regard, the organization's practice is rated as good.

## 4.7. Purpose of Performance Management

As PMP is aimed to serve different purposes in present-day systems, this research weighs the purposes that the target organization aimed by the application of the performance management system.

**Table 7 Responses for Purpose of Performance Management**

| Response rate | | | | | |
|---|---|---|---|---|---|
| Purpose of Performance Management | Strongly Disagree | Disagree | Neutral | Agree | Strongly agree |
| PMP is aimed at linking the organization's goal with department, team and individual goals | - | 111 | 17 | 90 | - |
| PMP output is used for salary adjustment | 30 | 144 | 28 | 14 | - |

| | | | | | |
|---|---|---|---|---|---|
| PMP output is used for promotion and/or demotion | 43 | 73 | 27 | 71 | 2 |
| PMP is used to communicate performance expectations of the employer | 46 | 114 | 24 | 32 | 2 |
| PMP functions for identifying performance deficiencies | - | 72 | 13 | 133 | - |
| PMP is used for filling identified performance gap | - | 75 | 10 | 131 | 2 |
| PMP helps employees to achieve their career aspirations in the long run | - | 111 | 17 | 90 | - |
| PMP is used as a tool for succession planning in the organization | 30 | 144 | 27 | 14 | - |
| PMP document can be used as a source to avoid litigations | 43 | 73 | 27 | 71 | 2 |

*Source: Survey Questionnaire 2021*

Firstly, participants were asked to confirm if they have observed in the organization the intention of linking the organizational goal with team and individual goals and 111 respondents (50.9%) disagreed, 17 of them (7%) stood neutral and (90, 41.2%) respondents agreed. It is appreciated that the organization is doing very well still a few has to be done in aligning organizational, departmental, and individual objectives by using its performance management system. Therefore, one can say that the organization targeted to bring the focus of employees on the track it desires to achieve a shared understanding of performance requirements throughout the organization.

Participants were again asked if the target organization is using the result of PMP for employees' salary adjustment and 174 respondents (80.5%) disagreed, 28 participants (12.9%) chose neutral and the remaining 14 respondents (6%) showed their agreement that the case organization uses performance management results for employee's salary adjustment. This significantly shows that the target organization does not use the result of PMP for adjusting employees' salary.

Concerning the use of PMP output for promoting and/or demoting employees, 116 respondents (53.7%) disagreed, 27 (12%) selected neutral and the rest 73 respondents (33.7%) agreed on the

idea that PMP output strongly influences decision makings in the promotion and demotion of employees.

As assessing the purposes of PMP continues, respondents were asked if performance management is used to communicate employee's performance expectations of the organization and 160 respondents (73.3%) disagreed, 24 respondents (11%) stayed neutral and the rest of the participants 34 (15.5%) has agreed that the organization uses the system to communicate performance expectations to its employees.

On the query provided to examine if the current system aims in identifying performance deficiencies, 72 respondents (33%) showed their disagreement, 13 participants (5%) remained neutral and the majority (133, 61%) of respondents agreed that performance management process helped them identify performance gaps and areas of improvement. In relation to this idea, respondents were again provided with related query to forward their view if performance management system of the target organization is used for filling the identified performance gaps of employees and 75 of them (34.4%) disagreed, 10 employees inclined to neutral and 133(61%) respondents supported that the case organization uses the system for filling identified performance gaps of employees. Here, from the above consecutively discussed queries, it is understood that the system is functioning very well in performance gap identification simply. But, as identifying performance gaps alone will not bring any progress, it is advised to be accompanied by mechanisms to fill the identified performance gaps. Coaching, mentoring, educating and other training and development methods must be implemented to make the effort meaningful. Therefore, the case organization should take the assignment of assessing where the problem is and bring the remedy which is still being done.

On the other hand, respondents were asked if the performance management system supports employees for the achievement of their career aspiration in the long run, and 111 respondents (50.9%) disagreed that the system is not supportive to them in the achievement of their long run career aspirations, 17 of them (7%) stayed neutral and the remaining 90 respondents (41.2%) agreed that they are benefited by the performance management system in the pursuit of their aspired career track in the long run. It can be inferred that the system is good in enabling the employees dream and pursue their prospect careers. So, the organization should maintain and work more on this performance and try to improve its record more.

Concerning the support of performance management system in succession planning, 174 respondents (80.9%) disagreed, 27 employees (12.5%) stood neutral and 14 respondents (6%) agreed that performance management system is used in decision makings regarding succession planning in the case organization. Here, in aggregate, large number (80.9%) of respondents replied disagree on the succession planning measure.

As a final point in this category of examining the purposes of performance management system in the case organization, respondents were asked about the system's benefit with regard to producing formal documentations that are valuable to avoid litigations, and 116 of the respondents (53.7%) disagreed, 27 respondents (12.5%) showed their neutrality while the rest 73 respondents (33.7%) agreed that the outcomes and documentation in the system are beneficial in cases of litigation. As per the above information, the current performance management system is not being used to avoid litigation to the point it is expected to do so.

## 4.8. Employee performance

In the assessment of employee performance, as portrayed below in Table 4.14, respondents were asked to rate their opinion on 7 questions.

**Table 8 Effectiveness of implementing performance Management System**

| Dimensions | Response rate | | | | |
|---|---|---|---|---|---|
| | Strongly Disagree | Disagree | Neutral | Agree | Strongly agree |
| I am confident in my work | - | 4 | 27 | 136 | 51 |
| I am competent in my work | - | - | 28 | 126 | 64 |
| I offer help to customers without being asked | - | 11 | 50 | 141 | 16 |
| I am quick to solve problems when things go wrong | - | 10 | 41 | 128 | 39 |
| I act with integrity | - | - | - | 122 | 96 |
| I communicate well with colleagues and customers | - | - | 56 | 103 | 59 |

| | | | | | |
|---|---|---|---|---|---|
| I try to prevent problems from occurring | - | 7 | 28 | 94 | 89 |
| I am accurate in providing services | - | 2 | 84 | 68 | 64 |

Firstly, participants were asked to confirm if they are confident in their work and 4 (1%) respondents disagreed, 27 of them (12.3%) stood neutral and the vast majority (187, 85.7%) respondents agreed.

Participants were again asked if they are competent and there is no employee disagreed with that. 28 participants (12.8%) chose neutral and the remaining 190 respondents (87.1%) showed their agreement that they are competent to their work.

Assessing the question if they offer help for customer without being asked 11 (5%) participants disagree with that, 50 of them (22.9%) stood neutral and the majority 157 (72%) respondents agreed that they would offer help for customers without being asked.

And for the query provided to examine if the employees are quick to solve problems when things go wrong in the work and working area 10 (4%) participants disagree, 41 (18.8%) participants stood neutral and 167, (76.6%) agree they are quick to solve problems. And all 218 respondents agreed that they act with while 56 (25.6%) participants stood neutral that they communicate well with their coworkers and customers whereas 162 (74.3%) have agreed. And also 7 (3%) participants disagree, 28 (12.8%) neutral and majority of 183 (83.9%) agree that they always try to prevent problem from occurring. As a final point only 2 respondents disagreed for being accurate in providing services where 84 (38.5%) replied neutral and majority of 132 (60.5%) participant agree that they are accurate at providing good service

# CHAPTER FIVE

## FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

In Chapter four, data analysis and interpretation has been presented. In this chapter, major findings are summarized, and the subsequent conclusions are made. Based on the conclusion, recommendations are forwarded in relation to literatures reviewed to better enhance the organization's performance management processes and practice.

## 5.1 MAJOR FINDINGS

❖ During the survey, on the prerequisite section of the PM process, it is witnessed that employees in the case organization are well-informed of the organization's mission, vision and goals. Strategic alignment and integration of organizational, departmental, and individual objectives were also appeared to be good. Besides, job descriptions are well updated with the changes that are made, despite the fact that jobs and responsibilities are not clearly defined to employees.

❖ On the other hand, it is observed that most employees are trained and coached at the time of assignments of new tasks. Most of the employees also acquire the necessary skills to manage performance effectively.

❖ At the planning phase of PM, the organization's practice indicated that, the case organization is appeared to be dedicated in allowing employees to set performance objectives jointly with their supervisors. It is also seen that employees get clear explanations of performance expectations from their bosses. Setting SMART objective is found to be pleasantly performed by more than half of the employees. In line with this, as most cases indicated, supervisors are not committed enough to cooperatively set developmental objective with their subordinates.

❖ At the execution phase of PM process in, it is observed that feedbacks are practiced as ongoing and timely as expected. It is also witnessed that supervisors less commit themselves to coach their subordinates on regular basis. Subsequently, supervisors are seen to be quite not good in documentation and record keeping of major performance events. As well, the organization performance is low in providing resources and

necessary supplies to employees on a timely basis in the course of performance execution.

❖ During the phase of assessment, the practice of DGB found to be; self-appraisal is done very well in the case organization by letting employees assess and rate their own performance. Unfortunately, there is less free discussion between supervisors and employees during performance review meetings. There is not also an appeal procedure exercised whenever disagreement and/or discrepancy occur between the parties on the evaluation ratings.

❖ Relatively, the practice of the organization shows that there are problems concerning assessment and ratings: i.e., evaluations mostly are not bound with time specificity, so the measurement possibly will miss the particular parts that are planned to be measured. Partially, employee's performance is rated based on the standards established, which could happen because of good objective setting. Here, it is also observed that supervisors communicate and discuss with employees about future development plans. In addition, it is noticeably observed that most of the employees get a chance to attend recommended trainings as per the identified performance gaps in the practice of the performance management system.

❖ On the subtopic of purposes of performance management, it is found that the case organization uses its system to link and integrate organizational, departmental and individual goals. Administrative decisions like salary adjustment and promotion are not made based on the system's outputs. Similarly, the organization uses less the performance management system to communicate its values and expectations to its staffs.

❖ On the other hand, it is perceived from the statistical data that the system is helpful in identifying and analyzing performance gaps of employees. Implying, the system is good in enabling employees to fill the identified performance gaps by training and development. In contrast, employees seemed unpleased by the support of the system in enabling them to envision their future careers in the organization. In the same topic, the use of performance management document to avoid litigations was asked to respondents, which most of the respondents disagreed with.

❖ Regarding the quest to the respondents about being confident and competent in their work; majority of the responses were positive. Along with being able to offer help to

customers without being asked and being quick at solving problems. In the study employees confirmed that they are acting with integrity, being able to communicate well with colleagues and customers. Besides this they agreed that they try to prevent problems from happening and provide services accurately.

## 5.3. CONCLUSIONS

As mentioned in the introductory section of this study, human resource management is critical for the successful operation and profitability of an organization since the people are main assets used to operate an organization. It is known that one of the cores HRM functions is managing employee's performance. Accordingly, the main objectives of the study were assessing in detail the practices and processes of performance management, explore its major aims, assess the perception and knowledge of employees over the system and thereby identify the challenges that the case organization and its employees facing in their journey of applying the system and its effect back to employee's performance. Thus, based on the major findings stated above, the following conclusion has been reached:

On the prerequisite process, it is concluded that employees are well-informed of the organization's mission, vision and goals. Objectives at different levels throughout the structure are integrated and aligned well. Moreover, jobs are not clearly described to employees. Employees get preliminary training and coaching during new task assignments, in addition, it is also concluded that employees have the skill to manage performance and actively participate in the system.

At the planning phase, the management of the case organization found successful in creating a ground for participative objective setting. Because of this, supervisors are able to provide performance expectations in a clear manner to their subordinates. Still, the practice of setting SMART objectives is executed well. The performance of employees and supervisors in setting developmental objectives also found unsatisfactory.

Regarding the process of execution, employees get timely and ongoing performance feedbacks. But, coaching and performance follow-up were not regularly performed. These practices are found to be the drawbacks of supervisors and line managers in the application. The practice of documentation of major performance events is witnessed not well on the supervisors. The

organization's commitment in provision of the required material supplies is noted as its weakness.

In the assessment stage, most of the employees do self-appraisals which is very good in reinforcing the system. In contrary, review meetings are not accompanied by free discussions and negotiations. If these discussions do not narrow the thought discrepancy between the parties, there is not favorable appeal procedure that employees can follow in the organization. This shows that employees are not empowered to have a discussion with their supervisors and the management at any point. Gaps concerning evaluation and rating processes were observed. In particular, lack of time specificity is observed. Mostly, employees were measured based on the established performance objectives.

Formally recommended trainings based on identified performance gaps by supervisors were provided to employees. Thus, developmental activities are pleasantly practiced. Concerning major aims of the application, it is not used as a source of information for administrative decisions and as well not helpful to communicate the organizations and the supervisors' expectations to employees. The recorded outputs of the system were also not useful to the organization in avoiding litigations. It is concluded that strategic purpose is also used well by the process of alignment and goal integration. The system didn't serve its employee development and organizational maintenance purposes well. Basing the responses that have been forwarded it can be concluded that employees are confident and competent enough regarding performing their jobs. Being able to offer help and act with integrity along with being quick at solving problems.

## 5.4. RECOMMENDATIONS

Performance management systems can assist an organization to achieve synergistic results. Therefore, based on the analysis and the above-mentioned conclusions, the researcher recommends the below mentioned recommendation so as DGB enable to implement its employee performance management system in the essence of its purpose and bring about the desired organizational change.

HRM can be strategic partner for any business when it presents a tangible support for an organization's profitability. This tangible support is achieved when the HR system in place is effectively implemented along with the individual HR practices which are sure to lead to increased productivity of a firm. Performance management is one of the major pillars in

contemporary HR system. The potential value of using PMS as a tool to manage and measure both employee and organizational performance depends largely on the quality of how the system is implemented. It is seen as an efficient vehicle to successfully deliver on the strategic objectives and goals of organizations. As, the proper implementation of such a system is of critical importance to success, organizations should watch over to confirm its functionality and able to take timely measures as necessary. In addition, knowing the major challenges that are associated with effective implementation and practice should not be left to luck.

Accordingly, to better enhance the performance management system of the case organization, the following recommendations are forwarded:

- For the expected performance to be achieved, employees should understand their role and contribution to their team and organization. Therefore, employees should be provided with updated JDs at least at the beginning of every performance period.

- As planning is the backbone for the whole process of PM, the organization should confirm the practice and usage of SMART objectives in the application. As feedback and coaching practices are the basis for success of PM system, the management must commit to make continuous feedback and coaching the predominant style of managing people, where commitment to achieving organizational objective is embedded in a parallel commitment to improving the people.

- Communication between superior and subordinate should be frequent so that there is continues feedback about the progress of the employee performance. Training opportunities should be revealed by the HR department. Custom-made, job-related training should be organized instead of general training. The training opportunities should also include lower-level employees in order to improve their performance and increase motivation. Based on the training need, enough budgets should be allocated for training and development

- All supervisors should be responsible to manage the performance of subordinates properly. To make the supervisors accountable, the development of their subordinates should be counted as their responsibility and incorporated in their performance objectives. Managers again should hold accountable for the failure of their subordinates on PM activities. So, the organization should enforce accountability concerning employee performance.

- To get a balanced outcome from the system, it should also comprehensively focus on developmental and organizational maintenance activities like, feedback, coaching, training, development, and career management.

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<br>

## APPENDIX

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### ST. MARY'S UNIVERSITY
### SCHOOL OF GRADUATE STUDIES
### DEPARTMENT OF MASTERS OF BUSINESS ADMINISTRATION
### <u>SURVEY QUESTIONNAIRE</u>

Dear Respondent,

You are kindly requested to participate on a research study for partial fulfillment of master's degree in business administration. The study intended to assess "**ASSESSMENT OF PERFORMANCE MANAGEMENT PRACTICES AND CHALLENGES DEBUB GLOBAL BANK, ETHIOPIA.** This questionnaire is prepared to gather opinion of employees regarding this subject and your genuine response is of high importance for the research success. Therefore, I kindly request you to respond to all the below listed questions after proper reading of the instructions provided. Please keep in mind that all your answers are going to be used only for this study purpose and will be kept strictly confidential. You are not expected to write your name or anything which describes your personal identification.

**Note**: If you have any questions or comment, please contact me with the below address:
Name: BETSELOT   ZELALEM  Tel: 0939115511   Email: betsizelalem@gmail.com

## Part I: RESPONDENT'S DEMOGRAPHIC DATA

**Instruction**: Please put a tick mark (√) in the check box corresponding to the choice that most represents you.

1. Gender: Male ☐          Female ☐

2. Age group:  20 -30 ☐          31- ☐          41- ☐                    Above 1 ☐

3. Education Level: Diploma ☐          Bachelor's de ☐          Master's degree ☐

   Other: Please specify_____

☐

4. Work experience in DGB:    1-3 yr ☐              4-6yr

7-10 ☐          Above 10 ☐

## Part I: PERFORMANCE MANAGEMENT SYSTEM PRACTICE ASSESSMENT

**Instruction**: Please carefully read the below listed descriptive sentences regarding the practice of performance management system in DGB & put a tick mark (√) in the box that best expresses your view.

| No | Particulars | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|---|---|---|---|---|---|
| **I.** | **PERFORMANCE PREREQUISITES** | | | | | |
| 1. | I am aware of DGB's mission, vision and goals | | | | | |
| 2. | I understand how my job supports my department's goal/objective | | | | | |
| 3. | I know how my department's objectives support the overall DGB's mission and strategic goals | | | | | |
| 4. | My duties and job responsibilities are clearly defined to my understanding | | | | | |
| 5. | I have sufficient knowledge about the job I am expected to do | | | | | |
| 6. | I have received required trainings and coaching to succeed in my position | | | | | |
| 7. | My job description is updated | | | | | |
| 8. | I have the knowledge, skills and abilities necessary to manage performance effectively. | | | | | |
| **II.** | **PERFORMANCE PLANNING** | | | | | |
| 1. | Objective setting is done jointly by me and my supervisor | | | | | |
| 2. | My supervisor clearly explains what s/he expects from my performance | | | | | |
| 3. | I set SMART objectives (**S**pecific, **M**easurable, **A**ttainable, **R**ealistic, **T**ime bounded) | | | | | |
| 4. | Development plans are prepared jointly by me and my supervisor | | | | | |
| **III.** | **PERFORMANCE EXECUTION** | | | | | |
| 1. | My supervisor gives me **ongoing** feedback that helps me improve my performance | | | | | |
| 2. | My supervisor provides **timely** feedbacks on my performance. | | | | | |
| 3. | My supervisor provides me coaching to improve performance on regular basis. | | | | | |
| 4. | My supervisor documents major performance events and feedbacks over the performance period. | | | | | |

| No | Particulars | Strongly | Disagree | Neutral | Agree | Strongly |
|---|---|---|---|---|---|---|
| 5. | I am provided resources to perform and produce the expected results. | | | | | |
| 6. | My performance information is used to set priorities for personal development | | | | | |
| **No** | **Particulars** | **Strongly** | **Disagree** | **Neutral** | **Agree** | **Strongly** |
| **IV.** | **PERFORMANCE ASSESSMENT AND REVIEW** | | | | | |
| 1. | I am given a chance to assess my own performance | | | | | |
| 2. | My performance is rated based on the standards established | | | | | |
| 3. | The evaluation rating, I get reflects my actual performance during the specific performance period. | | | | | |
| 4. | My self-rating and supervisor's rating are always similar | | | | | |
| 5. | There is free discussion with my supervisor during performance review | | | | | |
| 6. | If I don't accept the rating that my supervisors provide, there is an appeal process in DGB | | | | | |
| 7. | My future development plans are discussed and agreed after the assessment | | | | | |
| 8. | I have received the recommended trainings in accordance with my performance gap and the job's necessity | | | | | |

### Part II: PURPOSES OF PERFORMANCE MANAGEMENT SYSTEM

**Instruction**: Please carefully read the below listed descriptive sentences regarding the practice of

| No | Particulars | Strongly | Disagree | Neutral | Agree | Strongly |
|---|---|---|---|---|---|---|
| **1** | PMP is aimed at linking the organization's goal with department, team and individual goals. | | | | | |
| 2 | PMP output is used for salary adjustment | | | | | |
| 3 | PMP output is used for promotion and/or demotion | | | | | |
| 4 | PMP is used to communicate performance expectations of the employer | | | | | |
| 5 | PMP functions for identifying performance deficiencies | | | | | |
| 6 | PMP is used for filling identified performance gap | | | | | |
| 7 | PMP helps employees to achieve their career aspirations in the long run. | | | | | |
| 8 | PMP is used as a tool for succession planning in the organization | | | | | |
| 9 | PMP document can be used as a source to avoid litigations | | | | | |

performance management system in DGB & put a tick mark (√) in the box that best expresses your view.

**Part III employee performance**

**Instruction**: Please carefully read the below listed descriptive sentences regarding the practice of performance management system in DGB & put a tick mark (√) in the box that best expresses your view

| | Particulars | Strongly disagree | Disagree | Neutral | Agree | Strongly agree |
|---|---|---|---|---|---|---|
| 1 | I am confident in my work | | | | | |
| 2 | I am competent in my work | | | | | |
| 3 | I offer help to customers without being asked | | | | | |
| 4 | I am quick to solve problems when things go wrong | | | | | |
| 5 | I act with integrity | | | | | |
| 6 | I communicate well with collages and customers | | | | | |
| 7 | I try to prevent problems from occurring | | | | | |
| 8 | I am accurate in providing services | | | | | |