ST.MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

FACULTY OF BUSINESS

EFFECT OF PERFORMANCE MANAGEMENT SYSTEM ON THE EMPLOYEE PERCEPTION: -THE CASE OF COMMERCIAL BANK OF ETHIOPIA

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ADDIS ABABA, ETHIOPIA

JULY, 2025

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

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STATEMENTS OF DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of **Tesfaye T.** (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institutions to earn any degree.

Hikma Sani Signature&Date

STATEMENT OF CERTIFICATION

This is to certify that this study paper titled "***Effect of Performance Management System on the employee perception: -the case of Commercial Bank of Ethiopia***", undertaken by HikmaSani for the partial fulfillment of Master of Business Administration from St. Mary's University is an original work and fit for partial fulfillment for Masters of Business Administration.

Tesfaye T. (Ph. D)________________

Advisor Signature &Date

St. Mary's University, Addis Ababa,July2025

ACKNOWLEDGEMENTS

My entire work is reliant on the Almighty God, who has provided me with health, strength, courage, and inspiration during my academic journey. Additionally, I am grateful to my parents, relatives, and friends for their guidance, encouragement, and support in helping me succeed in my studies. I want to sincerely thank the business professors at St. Mary's University for encouraging me to write this thesis. My sincere gratitude also goes to my thesis advisor Tesfaye T. (Ph. D), for his academic guidance throughout the completion of this Paper. My sincere thanks go to the employees and management of Commercial Bank of Ethiopia. I would like to thank all for their cooperation and sincerity in providing access to information and filling out questionnaires.

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ABBREVIATION AND ACRONYMS

ANOVA: - Analysis of variance

CCO: - Chief Commercial Officer

CRO: - Chief Revenue Officer

CSM: - Clearing and Settlement Mechanisms

CSO: - Chief Sales Officer

PA:-Performance Appraisal

PF: - Performance Feedback

PMS: - Performance Management System

SPSS: - Statistical Package for Social Sciences

SD: - Standard Deviation

ABSTRACT

This study aims to examine the effect of the performance management system (PMS) on employee perception within the Commercial Bank of Ethiopia. By exploring how various components of PMSsuch as goal setting, feedback, rewards, appraisal, and evaluation affect employee productivity, the research seeks to provide insights into the effectiveness of current performance management practices. The primary purpose is to identify whether these variables significantly influence employee performance, thereby offering recommendations for enhancing overall organizational effectiveness. The findings reveal a strong positive relationship between the components of PMS and employee performance, with all variables—setting objectives, feedback, rewards, appraisal, and evaluation—showing significant influence ($p < 0.05$). The analysis indicates that approximately 82% of the variation in employee performance can be explained by these independent variables, highlighting their substantial role in performance outcomes. This underscores the importance of an integrated and well-structured PMS in fostering employee motivation and productivity within the organization. Based on these results, the study recommends that the Commercial Bank of Ethiopia involve employees more actively in the planning phase of the PMS to increase their commitment and understanding of performance expectations. Additionally, implementing regular and constructive feedback sessions is crucial to ensure employees are aware of their progress and areas for improvement. These measures are essential for optimizing the effectiveness of the performance management system and ultimately enhancing employee performance and organizational success.

Key Words: Performance Management, Performance Appraisal, Employee Performance, Feedback, Performance Management Practice

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In quality-based organizations, the ultimate goal of performance is the fulfillment or achievement of objectives, rather than merely meeting predefined requirements. The performance standards embedded within a performance management system, which functions as a subset of quality control, are intrinsically aligned with the overarching goals of the organization (Mishra & Sahoo, 2015).Contemporary organizations are increasingly prioritizing the adoption and utilization of broad-spectrum performance management systems (PMS), moving away from traditional, financially-focused approaches (Helden& Reichard, 2019). This shift coincides with escalating and more specific demands placed on employees concerning their job performance, career advancement opportunities, methods of work control, and compensation. Consequently, an organization's overall performance is significantly influenced by the expectations of its highly educated workforce and their satisfaction with their jobs and the working environment, with employee happiness being anticipated to directly impact organizational success (Ali & Anwar, 2021).

The Employee Performance Management System (EPMS) is a comprehensive process built upon the effectiveness of the workforce and the achievement of corporate goals across all levels (Varma, Budhwar, &DeNisi, 2023). A core tenet of PMS is to foster alignment between business objectives and the abilities and skills of the workforce, alongside a strong emphasis on continuous system development and improvement (Cardoni, Zanin, Corazza, &Paradisi, 2020). It is crucial to differentiate performance management from performance appraisals; while appraisals retrospectively evaluate past performance, performance management systems continuously measure the ongoing achievement of goals (Amedzro St-Hilaire, 2019). In the modern era, an organization's success is heavily reliant on having motivated and high-performing personnel and the conventional, infrequent performance appraisal methods often fall short in inspiring employees to elevate their performance standards (Kamble, Gunasekaran, Ghadge, & Raut, 2020).

A World Bank (2022) assessment meeting concerning state-owned nationalized commercial banks, conducted under the banking sector reform initiative, revealed both encouraging and concerning aspects (Naqvi, 2023). The positive outlook stems from a clear preference for more effective and improved management techniques. If successfully adopted and pursued on a broad scale, this new management system holds the potential to enhance the banks' performance and organizational expansion. However, the report also highlights a significant concern: the success of institutional performance management hinges on the support of a conducive, broad administrative culture, which, in turn, requires a congenial social culture, often seen as a product of a positive political culture (Kamble et al., 2020).

Benjamin (2023) posits that the African public sector could significantly impact employee and organizational performance through the implementation of performance management systems. Nevertheless, studies indicate that the application of performance management is less successful in developing nations compared to wealthier countries and enterprises (Schoeman &Chakwizira, 2023). The Kenya Commercial Bank Group serves as an illustrative example of an organization grappling with these challenges. To remain competitive in the business landscape, African organizations must ensure they possess a well-organized performance management system (Ndevu, 2022).

Research indicates that Ethiopian businesses, particularly those within the banking industry, are actively engaged in implementing performance management systems. These systems are widely regarded as one of the most effective tools for human resource development, as they establish the foundational framework for competency mapping, career planning, training, and promotion (Tensay& Singh, 2020; Weiss &Hartle, 2023).

Given these legitimate facts, existing banks, including the Commercial Bank of Ethiopia, should evaluate their employees' performance using state-of-the-art new platforms to effectively compete and stand on equal footing within the sector.

In managing the performance of organizational teams and individuals, human resource management must consider both the employee's behavior (input) and their results (outcomes) (Chowdhury, Budhwar, Dey, Joel-Edgar, & Abadie, 2022). The employee is the source of the behavior and applies it to influence performance, encompassing both conduct and tangible results. Therefore, the current study is specifically intended to investigate the effect of the performance management system on employee performance, focusing on the case of the Commercial Bank of Ethiopia.

1.2 Background of Commercial Bank of Ethiopia

The Commercial Bank of Ethiopia (CBE) has a long-standing history, tracing its origins to the State Bank of Ethiopia in 1942 and formally becoming a share company in 1963.This historical trajectory has positioned CBE as a dominant force in Ethiopia's financial sector, evidenced by its expansive network of over 1940 branches and more than 40 million account holders, solidifying its position as one of Africa's largest banks.Beyond traditional banking, CBE has actively embraced technological advancements, demonstrating a commitment to innovation through its widespread adoption of mobile and internet banking platforms, ATM services, and CBE Birr (Ghauri, Strange, & Cooke, 2021). This remarkable growth and adaptation underscore CBE's crucial role in the economic development of Ethiopia, necessitating a robust internal framework to manage its vast operations and human capital effectively.

Recognizing the pivotal role of its human capital, CBE has progressively refined its performance management system (PMS) to align individual and team efforts with its strategic objectives. This comprehensive system is designed to establish clear expectations, monitor progress, facilitate constructive feedback, and objectively evaluate employee contributions (Ali & Anwar, 2021). The implementation of a well-functioning PMS is not merely an administrative task but a strategic imperative for CBE, aiming to enhance employee engagement, boost productivity, and ultimately bolster the bank's competitiveness within Ethiopia's dynamic financial landscape. The multifaceted approach of CBE's PMS, encompassing performance planning, regular feedback, appraisals, and development planning, demonstrates a commitment to a structured and data-driven evaluation process, moving away from subjective assessments (Wagari, 2020).

Despite significant progress in establishing a structured PMS, studies on CBE's system highlight areas for continuous improvement. Challenges persist in ensuring consistent application across all levels, minimizing subjectivity in evaluations, and providing timely and relevant feedback to employees (Muhammad, Khan, & Hameed, 2021). Furthermore, the importance of ongoing training and development for both managers and employees on PMS principles and processes is frequently emphasized to enhance understanding and skill sets. Addressing these challenges is paramount for CBE to maximize the effectiveness of its PMS, thereby fostering a high-performance culture that empowers its "highly motivated and skilled employees" to contribute optimally. This continuous refinement of the PMS is crucial for CBE to achieve its vision of becoming a world-class commercial bank, driving financial intermediation, enhancing stakeholder value, and playing a significant role in Ethiopia's future economic growth.

1.3 Statements of the Problem

Organizations and employers should focus on encouraging positive performance in their workforce by providing them with the skills and knowledge necessary to address changing realities and problems (Ghauri, Strange, & Cooke, 2021). Furthermore, increased competition from companies around the world has predicted that all firms must be far more cautious about the choice of strategies to remain successful in this globalized and rapidly changing business climate. Enhancing individual employee performance is how the performance management system consistently improves organizational performance (Shields, Rooney, Brown, & Kaine, 2020). Consequently, one strategy to enhance corporate performance is to use performance management systems to increase employee perception.

Employee demands and expectations are growing more focused and elevated concerning the work they do, opportunities for advancement, methods of work control, and compensation (van Helden & Reichard, 2019). When a PMS is correctly deployed, it provides essential information that helps a business make decisions regarding its people resources (Singh & Twalo, 2015).. Thus, to accomplish their strategic aims, firms must adopt performance management systems (PMS) that are well-developed. However, research done on Ethiopia's commercial banks by made evident that numerous signs were pointing to a problem with the current system: it is not effectively communicating the performance management plan to all bank employees.

Studies by (Awan, Habib, Shoaib Akhtar, & Naveed (2020) and found that PMS significantly and favorably affect employee performance, alignment, and clarity. Additionally, (Van Waeyenberg, Peccei, & Decramer, 2022) provided an explanation of their investigation into the effects of performance evaluation on specific employees. He discovered that properly designed performance evaluation systems help to raise the caliber of workers' output and improve communication between managers and staff. It also makes it easier to comprehend the objectives of the company and the requirements of the position. In addition to increasing psychological commitment, a performance management system inspires and facilitates a more vibrant workplace culture. The implementation of PMS, according to Taylor & Peirce (2019), significantly improves employee performance, habits, and skills since it fosters a collaborative environment between leaders and employees and acknowledges their efforts (Muhammad, Khan, & Hameed, 2021)Additionally, it facilitates the decision-makers' ability to act when necessary by taking quantifiable actions (Carolin

&Rahadi, 2020). According to the claim that motivation is extremely vital in a business, the presence of motivation in the workforce will support employees' behavior to work actively, guaranteeing that the outcomes and goals obtained reach the greatest results possible. To ascertain whether a worker is achieving their responsibilities and performing well, an employee's performance might be assessed as part of a performance appraisal.

However, it was noted by (Li, Wu, Cao, & Wang, 2021) that PMS is slightly biased and fails to take into account the organization's actual performance. Although it is never easy for management to know, implementing modern techniques to improve employee performance will undoubtedly pay off, and the company will survive in this cutthroat age. Furthermore, according to(Gopinath, 2016), the same performance might have a significant effect on workers' performance in a way that increases their susceptibility to feelings of discontent, sloth, and mistrust. Because of this, there's a very good chance that the organization's performance would suffer as well, and eventually, everything would come to an absolute stop.

According to research by (Armstrong (2019), performance management systems are intrinsically complex and time-consuming. They further contend that poorly defined targets and measurements, appraiser error, a lack of performance feedback, insufficient resources, irrational expectations, and a failure to communicate performance expectations, harassment, biased ratings, inattention, and unfair treatment of employees all contribute to the poor implementation of PMS. The aforementioned empirical data suggested that the impact of PMS on worker performance is unclear. Therefore, this study may have an empirical contribution by clarifying the role of PMS on employee performance.

Commercial Bank of Ethiopia is the largest bank in Ethiopia, which hasa high market share in the banking industry and which creates job opportunities for large numbers of people (Mahmud & Azemi, 2019). However, as it is reported in different annual reports of the branches (2018 and 2019), employee performance management practices are not very well established and are not effective in enhancing staff performance. Furthermore, employees are complaining in different training and meetings that the organization does not have a clear and understandable strategy for employee performance management, and Organizational members are not adopting the right management style. In turn, it led to low employee engagement and a lowly committed workforce. Above all, the lack of information to the extent of these problems is another serious problem for employee performance management.

To the best of the researcher's knowledge, there is no empirical evidence on the effects of employee performance management practices on employee perceptions in the case of Commercial Bank of Ethiopia. Therefore, improvement in employee performance management practices is critical to have high employee engagement and a more committed workforce. Therefore, before having an adverse effect of these problems in Commercial Bank of Ethiopia it is better to conduct research on the effect of existing performance management system on the perrceptions of employees in the selected branch of the Commercial Bank of Ethiopia, AddisKetemaDistrict, Ethiopia.

1.4 Research Questions

In general, this study tried to provide answers to the following questions:

1. What is the effect of setting objectives on Employee perception in CBE?
2. How does performance feedback affect Employee perception in CBE?
3. To what extent does coaching affect Employee perception in CBE?
4. What is the relationship between performance appraisal and Employee perception in CBE?
5. How does performance evaluation affect Employee perception in CBE?

1.5 Objective

1.5.1 General Objective

The general objective of the study is to determine the effect of the performance management system on the employee perception of Commercial Bank of Ethiopia in Addis Ketema District.

1.5.2 Specific Objectives

The specific objectives of this study were

1. To examine the effect of setting objectives on employee perception in Competency-Based Education (CBE).
2. To analyze how performance feedback influences employee perception in CBE.
3. To assess the impact of coaching on employee perception within the context of CBE.
4. To explore the relationship between performance appraisal and employee perception in CBE.
5. To evaluate the effect of performance evaluation on employee perception in CBE.

1.6 Significance of the Study

The study on the Commercial Bank of Ethiopia's performance management system offers substantial benefits for various stakeholders. It provides crucial insights for CBE districts to effectively implement performance management, directly enhancing employee productivity. Furthermore, Human Resource Practitioners in NGOs can leverage this information to better understand and integrate employee contributions into their performance management frameworks, ultimately improving organizational performance. Beyond its immediate practical applications, the study contributes to the academic body of knowledge, offering a foundational understanding of performance management. For the researcher, it provides invaluable practical experience in conducting such studies and serves as a vital stepping stone for future research in related fields. Crucially, by fostering a clear understanding of individual roles, the system is expected to promote a more collaborative and friendly working environment, improving the overall effectiveness of performance management initiatives.

1.7 Scope of the Study

Study onthe effectiveness of performance management systems by taking a larger sample size from diverse geographical areas to examine the role of cultural differentiation in the effectiveness of employee satisfaction and commitment. But as the practice of PMS is new to Ethiopia and because of cost and time constraints, the scope of this study is, by and large, limited to assessing the effect of Commercial Bank of Ethiopia's performance management system on selected twenty-two branches of Addis Ketema District. The study was conducted from November to July 2024. The study was mainly focus on the effect of the performance management system on employee perception, but does not present in detail about the literature like reward management, employee motivation and other related issues.

This study used the quantitative method approach, which uses a random sampling method in determining the sampling population that is selected from the western districts in Addis Ababa. Both primary and secondary data are used for this study. The primary data was gathered through closed-ended questionnaires and an unpublished internal bank's report. The secondary data was gathered from journal documents and the Website of the Bank. The study was intended to examine the effect of the performance management system on the employees' performance the case of Commercial Bank of Ethiopia, select branches of Addis Ababa

1.7Limitation of the Study

The study does not include all branches of CBE found in other regions of the country. The reason is, it is difficult and unmanageable from the broad, time, money, and experience constraints point of view. So, this study was limited to theAddis Ketema District in Addis Ababa. Therefore, the study did not reflect the overall picture of the impact found in other regionsof the bank.

1.9 Organization of the study

The research was organized intofive chapters. The first chapter is the introduction, which includes background of the study, background of the organization, statement of the problem, objectives of the study, research question, significance of the study, scope of the research, and limitation of the study and organization of the study. The second chapter is about literature review which includes concept and definition of PMS, Dimension of PMS, Relationship between PMS and Employee performance Dimensions of employee performance Empirical review and Conceptual framework. The third chapter is about methodology of the research which includes Research design, research approach, Population, sample size,sampling techniques, Data source and types, data analysis, model specification, Validity and reliability, and ethical considerations. The fourth chapter is research findings and results, and the last chapter goes to the summary, conclusion, recommendation, and limitation.

1.9 Definition of Key Terms

The contextual definitions of technical terms frequently used in the proposal are listed as follows:

Employee Performance: refers to their output at a minimal cost from the use of their technical skills, raw materials in carrying out work responsibilities (Tarigan, Mochtar, Basana, & Siagian, 2021).

Employee Productivity: Productivity can be defined as "quality or volume of the major product or services that an organization provides" (Awan et al., 2020).

Feedback: This refers to the information reflecting past performance and results and given by the manager to the employee (Saks, 2022).

Performance Appraisal: is where a superior evaluates and judges the work performance of subordinates (Ugoani, 2020).

Performance Management: is a means of getting better results from a whole organization by understanding and managing within an agreed framework, performance of planned goals, standards and competence requirements (Mishra & Sahoo, 2015).

Performance Management Practice: is a way of communicating to employees on what they are expected to do and what the performance and productivity parameters are (Mishra & Sahoo, 2015).

CHAPTER TWO

REVIEW OF RELATED LITRATURE

This chapter reviews literature on the effect of performance management system on employee performance and it provides theoretical foundation, empirical evidences and conceptual framework of the study.

2.1 Concept and Definition of Performance Management System

Concept of performance: A person's or a team's achievement can be characterized as their performance (Anselmann & Mulder, 2020). It defines performance as the accomplishment of a task as well as its outputs or results, but it also emphasizes that performance is about working efficiently to accomplish objectives. Performance can also be understood as non-job-specific behaviors like collaboration, commitment, zeal, and perseverance that increase an organization's effectiveness and improve its working environment (Alegbeleye, Unegbu, Babalola, & Gbemi-Ogunleye, 2020; Ameen)

Performance management: As Armstrong (2009) emphasizes, performance management is a strategic process within human resource management that aims to improve overall organizational efficiency by cascading organizational goals down to teams and individuals. This systematic approach ensures that individual and team efforts are aligned with broader organizational objectives, thereby fostering a culture of continuous improvement and higher performance that is crucial for long-term sustainability.

Performance management System: Performance management systems can be defined as a continuous process of improving organizational performance by setting individual and team goals that are aligned to the strategic goals of the organization, planning performance to attain organizational objectives or goals, reviewing and assessing progressive performances, and developing the knowledge for employees (Riley, Michael, & Mahoney, 2017). Performance management systems align all operations with the objectives of the institution or company and enhance both the amount and quality of work completed.

The purpose of the Performance Management System is to facilitate year-round communication between an employee's supervisor and the organization in order to achieve its strategic goals. Clarifying expectations, establishing goals, defining objectives, offering feedback, and assessing outcomes are all parts of the communication process (Labiba, 2022).

Employee Performance

Performance means both behaviors and results. Performance is changed from abstraction to action by the performer's behaviors. Not only do actions serve as tools for outcomes, but they may also be evaluated independently of results as the result of exerting both mental and physical energy on tasks(Utomo et al., 2023). Performance in the context of an organization is typically understood to be the degree to which a member of the organization contributes to the achievement of the organization's objectives. In service-oriented businesses, employees are the main source of competitive advantage (Utomo et al., 2023). Furthermore, a committed performance approach emphasizes the voice of employees and sees them as assets or resources. Organizational performance is significantly influenced by employee performance.

According to a study done by (Kong, Yin, Baruch, & Yuan, 2023) on Performance Appraisal System and Employee performance; the role of trust towards supervisors, the link between the “trust toward supervisors” and “performance” is positive and significant and the greater the trust toward supervisors among employees, the greater their work performance. (De Tasya, Lalu, & Salma, 2022) also reported in his study, which was done on the impact of fair performance appraisal on employee performance appraisal, that fairness in the performance management system has a significant impact on employees' performance. (Arzahan, Ismail, & Yasin, 2022) also reported on their study that was done on the Relationship between performance appraisal communication, procedural justice, and job satisfaction, that feedback of performance appraisal is positively and significantly correlated with job satisfaction. A study conducted in Ghana on the Impacts of Performance Appraisal on Employees.

A Case of Microfinance Institutions revealed that the relationship between fairness and job satisfaction, clarity of roles and job satisfaction, and feedback of performance appraisal and job satisfaction is positive and significant (Kumssa, 2021). Consequences of the performance appraisal experience, the highest levels of trust in their supervisor, felt they had good communications, expressed clarity about their performance expectations, and perceived the performance appraisal process to be fair, have a positive and significant effect on employee performance (Van Waeyenberg et al., 2022)

2.2 The Nexus between the Performance management system and employee performance

How to get the most out of workers is the biggest problem facing managers in practically all organizations today (Jaeger & Upadhyay, 2020). This is a result of the changing perspectives on staff management today. Employees are no longer seen as robots to follow orders from management; rather, they are seen as the organization's most valuable resource, the success or failure of which depends on them. There are two aspects in which employee performance can be taken into consideration: either as outcome and/or behavior (López-Cabarcos, Vázquez-Rodríguez, & QuinoA-Pineiro, 2022). On the one hand, employee performance can be taken as outcome in the sense that the goals and actions that the employee has achieved. Whatever employees do on their day-to-day basis at their job consist of behaviors and however best they ate carried out is essential in determining the performance criterion (López-Cabarcos et al., 2022).

An increasing number of people view a performance management system as a way to connect HRM initiatives with the organization's business goals. To put it another way, management and HR initiatives collaborate to impact both individual and group behavior in support of the organization's goals. The emphasis of performance management systems is on continuously improving organizational performance, and this is achieved through improved individual employee performance (Garengo, Sardi, & Nudurupati, 2022).

In actuality, PMS aims to create a culture where employees' abilities and process performance are improved and are recognized. The aim of this practice is to remove the deficiency that was found in previous systems. Therefore, employee and business performance can be improved through PMS (Lelissa & Lelissa, 2016).

2.2.1 Setting Objectives and Employee Performance

Based on (Varma et al., 2023),establishing goals for the next year or performance period is a common component of performance management. This gives workers a clear idea of what is expected of them and serves as a development plan. According to (Al-Jedaia & Mehrez, 2020), establishing clear, quantifiable goals or targets for staff members to meet within a specified time frame is known as objective setting in a performance management system. These aims ought to coincide with the overarching aims and objectives of the organization.

Moreover according to (Bojang, 2023) major performance management systems objective is establishing a set of well-defined goals to be achieved within a time frame. These objectives ought to be SMART (specific, measurable, realistic, timely, and relevant). They ought to make the required performance criteria evident to staff members.

A successful performance management system integrates assessment tools from the organizational, functional, and individual levels (Spangenberg & Theron, 2001). According to (Alshurideh et al., 2022), attaining organizational integration requires first reaching consensus on performance definitions and goals at all functional levels of the business. A performance management system should also enable every worker in an organization to understand how their individual objectives and performance metrics fit into the overall business plan. (Abdallah, Abran, Qasaimeh, Ahmad, & Al-Refai, 2023)state that measuring systems in an organization are useless exercises and redundant, inefficient processes if they cannot provide conclusions and facilitate decision-making.

Performance management should ideally be able to deliver an overall performance review based on an individual's or a functional team's numerical contribution to the organization. This was assisting a business in decision-making and future planning. When performance evaluation frameworks are properly implemented and established, an organization can attain organizational excellence through both vertical and horizontal functional collaboration. A performance management system can provide an organization with feedback on both its individual and functional accomplishments. These substitute measurements, which might be quantitative or qualitative, also provide a way forward for accomplishing upcoming company objectives. (Weiss & Hartle, 2023)

Ha1: Setting objectiveshasa positive and significant effect on employee performance

2.2.2 Feedback and Employee Performance

According to the definition of (Varma et al., 2023)any information regarding an individual's performance that serves as a foundation for development is referred to as feedback. In businesses, it is referred to as "performance feedback." It is frequently defined as "actions taken by (an) external agent(s) to provide information regarding some aspect(s) of one's task performance."

(Bojang, 2023)said that performance reviews give workers feedback on how well they are doing their jobs, pointing out areas for improvement and areas where they are doing well. Employee motivation and job satisfaction may rise as a result of receiving this feedback, which can also help them enhance their performance and acquire new skills.

Feedback takes many forms it can be objective (when it is the result of clearly visible output, such as the number of pages translated in one hour) or subjective (when it is based on an evaluation made by a person, such as a manager rating yearly performance or a colleague saying, ‘what a captivating presentation!’). It can be intrinsic to the task, for example, a patient surviving a surgery, or require some external intervention such as collecting and communicating patient satisfaction data to a doctor. In organizations, feedback is often formal and part of performance management practices, such as a manager giving feedback in an annual meeting with a report. It can also be a component of development, for instance, through 360-degree feedback systems, in which a manager, reports, and coworkers can all fill out a feedback form (Varma et al., 2023).

An employee's engagement behavior should be included in performance management, according to (Modika, Malatji, & Selepe, 2023). These qualities include flexibility, taking on new roles, perseverance, and the ability to take initiative. The main responsibilities of this component are performance reviews and supervisor input. To improve feedback, (Liu, Sun, Wergeles, & Shang, 2021) assert that it is crucial that the employee thinks the system is reliable and fair.

Assessment is defined as "the process of periodically reviewing one's performance against the various elements of one's job" (Knight & Parker, 2021). His research clarified the objectives and progression criteria of a performance management program that regularly assessed the work of hospital employees. Slavin (2014) examined the impact of politics on performance reviews on employees' job satisfaction. According to (Memon et al., 2020). The results showed that politics surrounding performance reviews were a key factor in predicting employee job satisfaction in the firm under investigation. Martin (2009) examined the effects of performance evaluations on employees and businesses. The study's findings showed that performance reviews affected people and organizations in a noticeable way.

Ha2: Feedback has positive and significant effect on employee performance

2.2.3 Reward andEmployee performance

Empirical studies have demonstrated a positive correlation between employee performance and compensation. Employees are more likely to feel motivated and devoted to their work, which increases job satisfaction and improves performance, when they believe that their efforts are acknowledged and rewarded(Ali & Anwar, 2021). Rewards can also be used to motivate staff members to keep striving for organizational objectives by reinforcing desired actions. It is crucial to remember that incentives alone might not be enough to boost performance if other elements like management support or training are lacking. In addition, the kind and frequency of awards can also have an effect on employee performance.

Numerous studies have discovered a favorable correlation between employee performance and rewards. For instance, a study by Ref. shown that workers are more likely to be motivated and perform better at work when they receive recognition for their hard work. Another study by Ref (Kumari, Barkat Ali, Un Nisa Khan, & Abbas, 2021)showed how efficient reward systems can boost productivity and intrinsic motivation levels. This is because when people feel appreciated and valued for their work, it develops an intrinsic motivation that keeps them going even in trying circumstances or when they encounter setbacks.

Some academics have discovered no substantial association between employee performance and rewards, despite the fact that numerous studies support this relationship. For instance, a study by (Nguyen, Yandi, & Mahaputra, 2020) shown that rewards could actually lower motivation and job satisfaction when they are used to manage or control employees' behavior rather than praising their hard work. (Malek, Sarin, & Haon, 2020)Extrinsic rewards, such bonuses or promotions, may not always be beneficial at enhancing intrinsic motivation because they can lead to an outward focus on outcomes rather than an internal drive for personal development, according to another study by Refs. To explore the similar relationship in the circumstances of Ethiopian SMEs and to bolster the idea's universality, the following hypothesis was developed.

Ha3: Reward has positive and significant effect on employee performances

2.2.4 AppraisalandEmployee performance

According to Natalie (2014), appraisal is a process is described as a way of determining and communicating how the employees do their jobs and coming up with a plan for improving the process of carrying out work responsibilities (Chaponda, 2014). Performance appraisal process can also be referred to as a procedure for determining employee performance. Performance appraisal is essential as it gives updates on the performance of the employees; it identifies training needs and come up with plans for employee development (Dangol, 2021). Performance appraisal system is usually identified as a critical element for boosting employee motivation (Murphy, 2020).

Appraisal is an important drive that looks for better, more accurate, more cost-effective ways for of evaluating job performance and employee motivation (Dangol, 2021). One important tool for improving employee performance in the workplace is the performance appraisal system. Performance appraisal is often considered one of the most important human resource management functions (Mahapatro, 2021), Additionally, he stated that an organization's ability to effectively manage its human resources is largely dependent on its performance appraisal and management system.

As per (Gupta, Chaturvedi, Prasad, & Ananthi, 2022), performance evaluation is a phase in the performance management process that assesses an individual's work performance with the ultimate aim of ascertaining their level of performance during the period under review. According to L. Cardy and Leonard (2011), the process of assessing an employee's performance and advancement, known as performance appraisal, has also been further defined as an evaluation process that establishes the value of demonstrated performance in relation to both the positive and negative aspects of an employee's performance. Employee observation as well as the creation of performance standards and criteria is necessary for this procedure. Rating scales are essential to the assessment process; hence it is important to appreciate their capacity to lessen subjectivity, ambiguity, uncertainty, and disagreement.

The validity of the performance appraisal process will be questioned and the process itself weakened if rating scales display any of these traits. During the performance assessment or appraisal meeting, it is feasible to review, summarize, and emphasize an employee's performance throughout the review period. During the assessment meeting, it is crucial to focus on concerns that have been thoroughly tracked, documented, and discussed to prevent any surprises. The purpose of the performance appraisal conference is to provide an overview of the work completed during the evaluation period in relation to the objectives that were established at the outset, including the major outcomes, successes, and shortcomings; document challenges encountered during the year and identify areas of training and development; and identify and discuss any unforeseen barriers to the achievement of the objectives.

Ha4: Appraisal has positive and significant effect on employee performance

2.2.5 Evaluation and Employee performance

A methodical approach to assessing an employee's job performance is through a performance review system. As you can see, the word "systematic" suggests that the process of evaluating performance should be a planned one that for feedback to be offered formally rather than informally. Performance evaluations can also be called performance appraisals, performance assessments, or employee appraisals (Bamakan, Motavali, & Bondarti, 2020).

According to David (2016), there are four reasons why a systematic performance evaluation system should be implemented (Fuertes et al., 2020). First and foremost, good performance and behavior ought to be promoted during the review process. It also serves as a means of addressing workers' insatiable curiosity about how well they are doing their jobs. It can also be a tool for staff development. In conclusion, it may serve as a foundation for salary increases, career advancements, and legal sanctions.

As it is stated by (MULUGETA, 2022), Performance appraisal can be at both the individual employee level and the organizational level. The practice of evaluating an employee's job performance and productivity in light of organizational goals with the aim of enhancing achievement of these goals is known as performance evaluation. Performance evaluation can be done in a variety of ways, including people, objective production, and judgmental evaluation. Choosing the appropriate evaluation method or methods and implementing them well are key components of using performance-evaluation systems effectively. Performance reviews can lead to improvements in an employee's work by pointing out areas for improvement as well as raises or promotions.

Monitoring and assessment is a process that helps with goal attainment and performance improvement. Its primary goal is to improve management both now and in the future in terms of output, result, and influence. In a performance management system, monitoring and evaluation are both essential activities. The majority of companies have both individual scorecards for each division and employee that add to the overall scorecard and a corporate scorecard that represents the company as a whole (Tuan, 2020). When evaluating the performance of employees, leadership is the most crucial factor to take into account. To be extraordinary, an organization needs to cultivate positive alliances for growing organizations and have outstanding leadership.

Effective leaders motivate their staff to perform harder by achieving company objectives, claims (Ugoani, 2020). Therefore, employees are more likely to follow this rule when there is strong and organized leadership in place. Fair monitoring and evaluation are essential in any firm because they offer a way to show excellent governance, which motivates employees.

Ha5: Performance Evaluation has positive and significant effect on employee performance

Employee Performance

Employee performance is how a member of staff fulfills the duties of their role, completes required tasks and behaves in the workplace. Measurements of performance include the quality, quantity and efficiency of work (Maryani, Entang, & Tukiran, 2021)

(Wali, Muthuveloo, Ping, & Bataineh, 2020): defined performance as the distinct and aggregated feature of behavior expected of individuals across time in order to carry out and achieve the organizational goal. It is a characteristic that distinguishes between individual behavior at a specific point in time and behavior at different times across a period of time. Employee performance, according to (Riyanto, Endri, & Herlisha, 2021), is described as an increase in the actions, behaviors, and consequences that individuals engage in or contribute to organizational goals.

Organizations seek high-performing workers in order to achieve their objectives and remain competitive in the marketplace. Individual performance, in line with this, is critical for achieving high-quality work, as well as personal fulfillment and pride in oneself. Low performance and inability to meet goals, on the other hand, may be perceived as dissatisfying or personal failure. Furthermore, other members of the organization and leaders of reward, career development, and promotion acknowledge performance (Maryani et al., 2021)

2.3 Dimensions of Employee performance

In their study of industrial and service firms in India, Pradhan and Jena (2017) identified three measures of performance. Their research showed three key aspects of employee performance that helped them develop the new scale: task performance, adaptable performance, and contextual performance are all important factors to consider (Arwab, Ansari, Azhar, & Ali, 2022).

A. **Task performance:** The extent to which workers effectively participate in the job duties explicitly stated in their job description is represented by task performance, which is the form of performance with which managers and employees are most familiar(Lai, Tang, Lu, Lee, & Lin, 2020). As a result, administrative decisions (such as promotions, salary raises, and terminations) are frequently based on one's task performance. According to (Ekere, Akhigbe, & Kalu, 2022) the skill and ability of an individual to accomplish tasks that contribute to the organization's 'technical core' is referred to as task performance. The skills required for task completion vary by employment, and role behavior is more prescribed and established.

B. contextual performance: Employees' ability to contribute to the organization's overall well-being is referred to as contextual performance. Ensure that employees are effective in their jobs is one of the most critical functions of an organization.

C.Adaptive Performance: The ability of an individual to adjust to quickly changing work settings is known as adaptive performance. Solving issues imaginatively, dealing with uncertainty, learning new tasks, exhibiting interpersonal flexibility, and dealing with crises are all examples of adaptive performance.

Job-specific task competence, non-job-specific task proficiency, written and oral communication, showing effort, preserving personal discipline, facilitating peer and team performance, supervision, and management or administration are the eight factors.

2.4 Empirical Review

Transformational leadership tends to maximize the level of professional performance of work In addition to provided literature on association of transformational leadership and work performance (Khan, Rehmat, Butt, Farooqi, & Asim, 2020). The researcher used Kruskal-Walli's test and ordered logistic regression Analysis. The researcher concluded that setting mission and objectives in planning performance stage could impact negatively on employee performance. Coaching and communication between employees and supervisors also have positive relationship with employee performance (Khan et al., 2020).

According to (Kuzma, Padilha, Sehnem, Julkovski, & Roman, 2020)conducted on the impact of performance management on the organizational performance: an analytical investigation of the business model of M.C. Donald's. The study concluded that performance appraisal has positive relationship with employee performance because it is very important to recommend appropriate training and development session for the below average workers. This helps the below average workers to improve their productivity in the long run.

According to (Gupta et al., 2022), effectively implemented PMS will provide critical information that will allow an organization to make sound decisions regarding their people resources. Hence, there will be no room to compromise the use of a well-developed PMS to achieve the strategic plans of any organization.

A procedure that aids in achieving goals and enhancing performance is monitoring and assessment. Its goal is to improve current and future management in terms of output, outcome and impact. Monitoring and evaluation are both important activities in performance management system. In most organizations, they will have both corporate scorecard for the company as a whole, and separate scorecards for each division/employee that feeds into the overall scorecard And also monitoring and evaluation system should be as relevant as possible to the organization to ensure its reliability and independence (Gupta et al., 2022),

Evaluating employee's performance on pre-defined parameters as stipulated by has been highlighted as a differentiating factor among the market leaders and survivors (Kabeyi, 2019; Varma et al., 2023). 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 (Kabeyi, 2019; Varma et al., 2023). Synchronization feedback mechanisms will address developmental gaps so as to improve future performance according to (Fernie et al., 2020) Today, the business environment is dynamic and very volatile. Organizations have become contented with their performance management practices leading to failure. Consequently, strategies need to be revamped as the changes in the environment are quite dynamic.

Effective performance feedback is timely, specific, behavioral in nature, and presented by a credible source. The time efficiency of quick feedback makes the feedback highly useful and valuable for both the manager and the employees (Rivera, Qiu, Kumar, & Petrucci, 2021).

Therefore, feedback needs to be quick, specific and unambiguous (Rivera et al., 2021).Thus, most employees believe they would perform better due to quick feedback. Indeed, it is likely that the better you feel about yourself, the more motivated you will become and the better performance you will reach (Rivera et al., 2021). Performance reviews are thought of being educational experiences where people are urged to consider how and where they wish to grow (Teke, 2002). Through this the PMS strategy is able to influence employee commitment because employees are able to know the shortcomings and improve on them.

Employee’s engagement behavior should be included in the performance management (Toure, 2023) the behaviors of the employee include persistence, the ability to be proactive, role expansion and adaptability. Performance reviews and supervisor input are the primary tasks of this component. However, in order to enhance 16 feedback, (Toure, 2023) argues that it is important that the employee feels that there is trust and justice in the system.

The correlation between appraisal and employee performance of others had three outcomes (Ramos-Villagrasa, Barrada, Fernández-del-Río, & Koopmans, 2019) the respondents displayed a ‘’self-other bias such’’. Positive attributes were more descriptive of self than others. Negative traits were judged to be less self-descriptive than positive ones. People who felt good about themselves also treated other people with same respect. Furthermore, they had a more positive opinion of themselves than others. Positive assessments of one outweighed positive assessments of friends, Individuals who had high self-esteem gave their friends higher ratings than they did the ordinary individual. Additionally, it was discovered that people with high self-esteem had a propensity to think well of themselves and their friends, demonstrating a strong desire for social acceptance. The results provide insight into the drive to improve one's sense of self-worth and are consistent with recent research showing that self-improvement techniques enhance psychological wellness.

According (Modika et al., 2023) the paper on Performance Management system and improved productivity: A case of the department of local government and housing in the Limpopo province stressed that PMS has not contributed to the improvement of productivity of the DLGH in the Limpopo province concluded that PMS plays significant role in the improvement of productivity However, this study shows that PMS has not improved the productivity of the DLGH in the province of Limpopo due to a lack of knowledge of PMS within the Department and the establishment of irrational performance targets.

The atmosphere of the workplace has a positive and negative impact on workers' commitment, confidence, and output. Therefore it is not just coincidence that new incentive programs which focus on lifestyle changes, work/life balance, health and fitness issues were previously not considered as significant payback tactics, but are now common practices amongst well-reputed corporations (Teo, Bentley, & Nguyen, 2020)

According to (Jardioui, Garengo, & El Alami, 2020)The study conducted by (Jardioui, Garengo, & El Alami, 2020) demonstrated that, despite its limitations, performance management systems require periodic reviews in order to remain aligned with global trends aimed at increasing business responsiveness to customer expectations. Despite their good intentions, the majority of performance management systems are beset with a number of difficulties that affect how they are implemented. This includes things like irregular system reviews, inadequate performance management training, and a lack of resources in companies, system misuse, and a lack of compensation. If at all possible, the performance management system must overcome these obstacles quickly in order to maintain the stakeholders' trust (Jardioui et al., 2020).

2.5 Conceptual Framework

(Odiwuor, 2020) pressed that the importance of performance management system is on continuously improving organizational performance, and this is achieved by improved individual employee performance. So effectively implemented performance management system improved individual performance. Performance management system has six stages. To maximize the benefit out of the system these stages must be followed.

Independent variable **Dependent Variable**

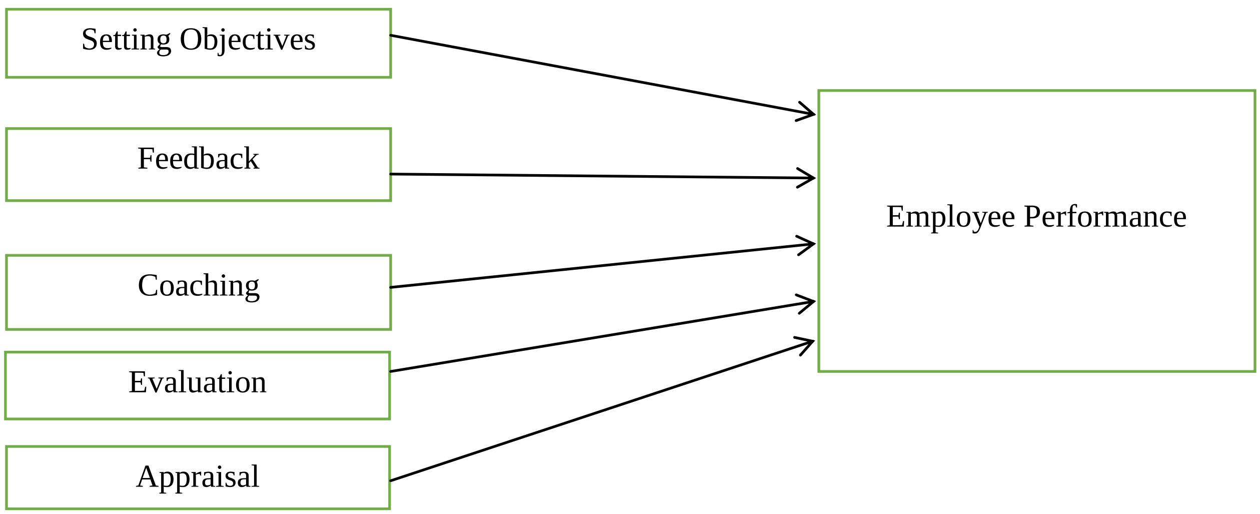


Figure: - 2. 1conceptual framework for the effect of performance management system on the employee performance

Source: - from Md. AktaruzzamanSanti, Abdur Rahim (2021)and then developed by the researcher 2023/24

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

In this section of the study, the research approach utilized in the course of the study, the research design, the population and sample size covered by the study, the types and sources of data used, the procedures followed during data collection, data analysis techniques and ethical considerations of the study are presented.

3.1 Research Design

A research design is a plan or specification for the construction of an object or system or for the implementation of an activity or process or the result of that plan or specification in the form of a prototype, product, or process (Bloomfield & Fisher, 2019). The exploratory, descriptive, and causal research design frameworks are the three fundamental types. The goal of exploratory research is to generate concepts and insights by decomposing large, imprecise problems into smaller, more manageable sub problems. Descriptive research places special emphasis on quantifying the frequency of an event or the degree of correlation between two variables, while the third research design is: The goal of causal research is to identify cause-and-effect connections (Dahlin, 2021).

Based on this in the current study explanatory research design was used. Because the research objective also contains cause and effect relationship among performance management system and employee performance explanatory research design was used determining cause and effect relationships between the dependent and independent variables.

3.2 Research Approaches

According to (Hendren, Newcomer, Pandey, Smith, & Sumner, 2023), research approaches are plans and the procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis and interpretation. There are three types of research approaches such as Quantitative, qualitative, and mixed approaches. Numerical or quantifiable data are essential to quantitative research. In contrast, a qualitative study is based on firsthand accounts or written materials that paint a complete picture of how people behave or believe within a particular society.

This study was quantitative research approaches because it is explanatory and the research problems require measuring the variables of PMS and the effect of these variables on employee performance. Through the distribution of closed-ended questionnaires to chosen employees, the quantitative technique was used to perform an extensive analysis of measurable and empirical data related to the performance management system and employee performance.

3.3 Population, Sample size and sampling Techniques

3.3.1 Population of the study

A population, according to (Campbell et al., 2020), is a set of items from which a sample will be chosen. Population refers to full set of groups from which a sample is taken. It is a well-defined or set employees that were recruited by the company thus, population of this study have chance of equal selection branches of Commercial Bank of Ethiopia Addis Ketema district such as all the current employee of twenty-two branches are 352 employees. So, the target populations for this study were 352 employees of Commercial Bank of Ethiopia intwenty-two branches of Addis KetemaDistrict.

3.3.2 Sample size determination

The researcher uses the following sample size determination formula to estimate the representative sample from selected Branches. The formula was developed by Taro Yamane (1973). It was calculated as follows:

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

Where:

n – Is the sample size

N – Is the population size

e – The level of precision or sampling error

$n = \frac{352}{1+352(0.05)^2}$= 188

n= 188

N= 352 e- 0.05

Adding of 5% non-response rate 188+5%=197

3.3.3 Sampling Procedures

According to (Rahman, Tabash, Salamzadeh, Abduli, & Rahaman, 2022) in simple random sampling method, the researcher select samples by using simple methods like lottery and then chooses a random sample of pupils from each area. It is a modification of random sampling in which the population is divided into two or more relevant and significant strata based on one or more attributes. With reference to this statement, stratified random sampling is relevant for selection of population in this study. First the researcher divided populations based on Branches of Commercial Bank of Ethiopia in different area and second sample respondent was taken from each branch by using simple random sampling techniques.

3.4 Data sources and Types

The study uses both primary and secondary sources of data. Primary data sources were extracted to realize its objectives and to describe the relationship between the independent (Setting goals, Feedback, Reward, Appraisal, Evaluation) and dependent variables (Employee Performance) and to see employees insight, the study collected most of the data using survey questionnaire. The data was collected from employees of Commercial Bank of EthiopiaS.C secondary data was collected from books, journals, and articles from the internet, annual report, manuals and websites of the bank and others related. To support the findings from the questionnaire, review of related literatures is conducted to compare the configuration of the research findings with previous studies and improve the findings.

3.5 Types of data and Method of Data Collection

The study was use closed mailed self-administered questioner. Instance to this, the questionnaire was designed in a way that is clear, brief and easy to understand and straight forward as well as covers the relevant aspects of the model used.

3.5.1 Questionnaire

The questionnaire was prepared to be self-administered, and it allowed categorizing effects of PMS on employee's performance and is expected to answer the research questions, based on different literatures on PMS functions.

The questionnaire has two major parts the first part was about the respondents‟ Demographic information like gender, age, education, experiences and current position. The second part contained a questionnaire was help to measure dependent variable (Employee performance) and independent variables performance management system (setting objective, feedback, reward, appraisal and evaluation). The questions were mostly be closed-ended, with respondents being asked to rate their level of agreement on a five-point Likert scale, with strongly disagree (SD) = 1, disagree (D) = 2, neutral (N) = 3, agree (A) = 4, and strongly agree (SA) = 5. Data collected using questionnaire was checked for its consistency and completeness before analysis was made.

3.5.2 Data Collection Methods

The research also granted permission by HR directorate of the bank to conduct and to collect data regarding the PMS as they see it helpful in their measuring practice of employee's performance. The researcher further asked for clearance from the respective departments to be allowed to collect the data. The research questionnaires were afterwards distributed to the various respondents by the researcher himself and two data collectors.

3.6 Data Analysis

The process of gathering, modeling, and evaluating data using a range of logical and statistical procedures is known as data analysis. The data collected using questionnaires, focus group discussion and interview questions were analyzed using both descriptive and inferential methods using software called SPSS version 25. The data gathered through questionnaires were feed into SPSS to make the data ready for processing through graphs, figures, tables and charts. The descriptive statistics like the means, percentages and standard deviations of the variables were used to describe characteristics of the respondents. Inferentially to evaluate the association between two or more variables to know whether there is a relationship between variables such as correlation and Multiple Linear Regression methods were used.

3.7 Model specification

In order to analyze the relationships between dependent variable and several independent variables, multiple regression analysis can be applied (Maulud & Abdulazeez, 2020).

Therefore, multiple regression analysis is an appropriate way to check the relationships between independent variables and dependent variable for this study. The research uses multiple regression analysis due to the research have a single metric dependent variable presumed to be related to more than one metric or non-metric independent variables.

The regression model of the study looks as follows:
Employee performance=a + β1SG +β2RW+β3PA +β4FF+β5PE+ e

Where:

Y is the dependent variable (Employee performance),

A, is the constant (the value of y when the value of all independent variables are 0),

X_1 = Setting objective

$X_{2=}$ Reward

X_3 = Appraisal

X_4 = Feedback

X5= Evaluation

β_1 is the intercept term which gives the mean or average effect on Y if all the variables excluded from the equation. β_2, β_3, β_4, and β5 refer to the coefficient of their respective independent variable, which measures the change in the mean value of Y, per unit change in their respective independent variables.

3.8 Validity and reliability

The researcher was observe the validity of the research instrument and the reliability of data will enter into

StatisticalPackageforSocialSciences(SPSS)softwaredataanalysissystemandwas conduct Cronbach’s Alpha test to measure the reliability of data entered into SPSS softwareprogram. When thevalue of Cronbach’s Alpha is morethan0.7, itisconsidered adequateforasurvey instrument. The researcher designed questionnaires intwo categories; general profile information and FiveLikert scale questions investigating the degree of performance management system and employee performance.

Table3.1:-Reliability test results

	Cronbach's Alpha	**No of items**
SG	.868	5
FF	.865	7
PA	.836	5
PE	.847	7
RW	.831	6

Source: own survey, SPSS, 2024/25

3.9 Ethical consideration

Some of the most important ethical principles in educational research, according to Hamersley and Trainee (2012), are minimizing harm, protecting privacy (which means keeping data confidential), and respecting autonomy (which means allowing people to make their own decisions, such as whether or not to participate). To protect the public reputation of the organizations and people involved, the researcher treat all information acquired in this study with the strictest discretion. Informed consent obtained by telling respondents about the study's goal and advantages of participation, providing enough information for a participant to make an informed decision about whether or not to continue participation.

CHAPTER FOUR

DATA PRESENTATION ANALYISIS AND INTERPRITATIONS

In the preceding chapter the research design employed in this study is presented and discussed in detail. The purpose of this chapter is to present results and analysis of data involved in this study. In the quantitative analysis the descriptive statistics of all the variables used in this study and the results of hypothesis testing i.e. the estimated parameters of the descriptive statics, correlation, and regression analysis regression assumption value of the parameters are presented and discussed in detail.

4.1. Response Rate

The response rate in this study was 95.4% where out of 197 questionnaires that were distributed to Commercial Bank of EthiopiaAddisKetema District's 188 employees/respondents/ fully filled the questionnaires, because both the survey instrument was tested by pretest study 5% were taken additional from the sample size. According to Babbie (2002), any response rate of 50% and above is adequate for analysis and therefore the response rate of 95.4% is more than satisfactory.

4.2. Demographical Data of Respondents

The personal information of respondents obtained from returned questionnaires summarized and described as follows. As it is shown in the below table 2, among 188 respondents 114 (60.6%) are male, 74 (39.4) are females. In terms of age of the respondents, 161 (85.6%) are 20-30 years and 19 (10.1%) are 31-40 years from the respondents. This implies that majority of respondents (97.9%) are young which is below 40 years. Thus, if the Commercial Bank of Ethiopia is able to appropriately satisfy and keep these youthful energies, they may prove to be a valuable resource in helping the Bank accomplishes its goal.

Regarding of educational background, the majority 136 (72.3%) are first degree holders, 41 (21.8%) are master degree holders and the rest of the respondents are diploma completed. The bank benefits from having qualified and skilled staff, which offers it a competitive advantage because there is competition in the banking sector.

Around 7 (3.7%) of the respondents were work position managers, 122 (64.9%) were work position CSO and 15 (8.0%) of the respondents were work position CRO. Moreover, majority of the respondents are working at branch the implication for percentage increment at branch level since the PMS is designed mainly for resource mobilization, deposit, account increment and foreign currency generation and hence branches are focus area for such activity. The majority 79 (42.0%) of the respondents are served their current organization for less than a year's, 69 (36.7%) of the respondents are 1-3 years' experience and the rest had above 4 years of work experience in the bank. This finding confirms that respondents have new experience implementing PMS practices in their individual workplaces, enabling them to share their knowledge, insights, and experiences via the questionnaire.

Table 4.1;-socio-demographic characteristics among employees in the case of Commercial Bank of Ethiopia, Addis Ababa Ethiopia 2024

Variables	**Frequency**	**Percent**
Sex		
Male	114	60.6
Female	74	39.4
Total	188	100.0
Age (years)		
< 20	4	2.1
20-30	161	85.6

31-40	19	10.1
>40	4	2.1
Total	188	100.0
Education level		
diploma	11	5.9
degree	136	72.3
masters and above	41	21.8
Total	188	100.0
Work position in this organization		
Manager	7	3.7
CSO	122	64.9
CRO	15	8.0
CRM	15	8.0
CSO accountant	14	7.4
CSO cash	15	8.0
Total	188	100.0
Work of experience of the respondents (years)		
< 1	79	42.0
1-3	69	36.7
4-6	11	5.9
7-9	21	11.2
>10	8	4.3
Total	188	100.0

Source: - own survey, SPSS, 2024/25

4.3. Descriptive analysis

The research questionnaire designed using 5 point Likert scale to collect appropriate responses, in relation to this the respondents indicated the extent they agree with the statements by choosing: 1- Strongly Disagree (SD), 2- Disagree (D), 3-Neutral (N), 4- Agree (A) and 5- Strongly Agree (SA).

4.3.1. Descriptive Statistics of Setting Goals

As summarize in the table 4.2 the first question tries to ask whether managers set clear goals with their direct reports, the majority around 97(51.6%) agreed. On the other hand 117 (62.2%) strongly agree and agreed that all employees clearly know the purpose and process of performance management system and this shows that large numbers of employees know what performance management is.

Above half of the respondents (117; 62.2%) agreed that the PMS was developed with inputs from the staff throughout the department and branch. Around 115 (61.2%) employees strongly agree their work is important in the performance of the organization.

This suggests that the majority of workers are aware that PMS exists within their company, that performance management system encourages employees to take greater ownership of their work by outlining the organization's aims and objectives at the start of each performance period.

Table 4.2Descriptive Statistics of Setting Goal in the case of Commercial Bank of Ethiopia Addis Ababa, Ethiopia 2024

Variables	**Measuring scales**				
	SD	**D**	**N**	**A**	**SA**
Managers set clear goals with their direct reports	8 (4.3%)	12(6.4%)	12 (6.4%)	97(51.6%)	59(16.3%)
All employees clearly know the purpose and	0	4 (2.1%)	12 (6.4%)	117 (62.2%)	59 (29.3%)

process of Performance management system.					
The PMS was developed with inputs from the staff throughout the department and branch	0	0	35(18.6%)	117(62.2%)	36 (19.1%)
Relevant performance expectations are set between supervisor and employee	0	7 (3.7%)	30(16%)	113 (60.1%)	38 (20.2%)
I know their work is important in the performance of the organization	0	0	4 (2.1%)	69 (36.1%)	115 (61.2%)

Source: - own survey, SPSS, 2024/25

4.3.2. Descriptive Statistics of feedback

In table 4.3 Positive feedbacks is also likely to promote engagement and performance. (Chetana, Pattnaik, & Mohapatra, 2015) suggest that positive feedback promotes engagement by affecting the socio-emotional climate in organizations. And table no. 4.8 ensure such issues, 105 (55.9%) and 60 (31.9%) respondent agree and strongly agree respectively their supervisors are reasonable expectations from their work. And also, 100(53.2%) of employees agreed their supervisors discusses regularly about their job performance. Above half 97(51.6%) of employees agree supervisors provide continuous, timely and constructive feedback to subordinates.

Table 4.3 Descriptive Statistics of feedback in the case of Commercial Bank of Ethiopia Addis Ababa, Ethiopia 2024

Variables	**Measuring scales**				
	SD	**D**	**N**	**A**	**SA**
Supervisors are reasonable expectations from my work	0	7 (3.7%)	16 (8.3%)	105 (55.9%)	60 (31.9%)
My supervisor discusses regularly my job performance with me	4 (2.1%)	31 (16.5%)	32 (17%)	100(53.2%)	21 (11.2%)
My supervisor recognizes me when I perform better	4 (3.7%)	12 (6.4%)	34 (18.1%)	94 (50%)	41 (21.8%)
My supervisor give me valuable feedback	3 (1.6%)	28 (14.9%)	12 (6.4%)	104 (55.3%)	41 (21.8%)
I clearly understand my supervisor comments and	4 (2.1%)	6 (4.3%)	28 (13.8%)	100 (53.2%)	50 (26.6%)

opinion during the feedback					
Supervisors set guideline for improving feedback during performance review	7 (3.7%)	8 (4.3%)	28 (14.9%)	96 (51.1%)	49 (26.1%)
Supervisors provide continuous, timely and constructive feedback to subordinates	7 (3.7%)	12 (6.4%)	43 (22.9%)	97(51.6%)	29 (15.4%)

Source: - own survey, SPSS, 2024/25

4.3.3. Descriptive Statistics of reward system

According to table 4.4, majority of employees agree the PMS in their organization reward good performance. And also motivate them exert more effort in their work. Around half of the employee agrees 95 (50.5%) the bank positively influenced their productivity by linking reward and promotion with performance targets. Based on the analysis, the employees who participated in the survey agreed that the incentive system had an impact on their performance since it recognized rewards for work advancement, paid fairly, and offered a variety of reward options. On the other hand, the reaming variables are defined by the incentive system's uncertainty in order to enhance employee performance.

Table 4.4:- Descriptive Statistics of reward system in the case of Commercial Bank of Ethiopia Addis Ababa, Ethiopia 2024

Variables	**Measuring scales**				
	SD	**D**	**N**	**A**	**SA**
The PMS in my organization reward good performance	0	0	35 (18.6%)	116 (61.7%)	37 (19.7%)
The reward provided by my organization motivate me exert more effort in my work	0	4(2.1%)	58 (30.9%)	96(51.1%)	56 (16%)
The reward are varied and satisfactory	4 (2.1%)	16 (8.5%)	55 (29.3%)	90(47.9%)	23 (12.2%)
The reward motivate me to be continuous in completing my duties	4 (2.1%)	8 (4.3%)	43 (22.9%)	113 (60.1%)	20(10.6%)
I aligned strategic activities of the bank with my performance targets	0	4 (2.1%)	40 (21.3%)	97(51.6%)	47(25.0%)
The bank positively influenced my productivity by linking reward and promotion with performance targets	0	12 (6.4%)	51 (27.1%)	95 (50.5%)	30(16%)

Source: - own survey, SPSS, 2024/25

4.3.4 Descriptive Statistics of Appraisal

From table no. 4.5, we conclude that 173 (92.3%) percent of total employee's replied to either agree or strongly agree that clearly understand the purpose of performance appraisal. Around 31 (16.5%) strongly agree that their supervisor is honest and fair in performance review. Rather 45(23.9%) respondent were neutral by Performance appraisal reflects their performance objectively. According to (Chetana et al., 2015), appraisal results provides vital information about a worker's strength and weaknesses, training needs and reward plans such as advancement, promotion, pay increase, demotion and work or performance improvement plans.

Table 4.5:- Descriptive Statistics of Appraisal in the case of Commercial Bank of Ethiopia Addis Ababa, Ethiopia 2024

Variables	**Measuring scales**				
	SD	**D**	**N**	**A**	**SA**
I clearly understand the purpose of performance appraisal	4(2.1%)	0	11 (5.9%)	94 (50%)	79(42.0%)
My supervisor is honest and fair in my performance review	4(2.1%)	11 (5.9%)	42 (22.3%)	100 (53.2%)	31 (16.5%)
Performance appraisal reflects my performance objectively	4(2.1%)	0	45(23.9%)	101 (53.7%)	38(20.2%)
performance appraisal make me better understand what I	0	4(2.1 %)	19(10.1%)	119 (63.3%)	42 (24.5%)

should do					
performance appraisal process helps supervisor to manage people better	0	15(8%)	19(10.1%)	117(62.2%)	33(19.7 %)

Source: - own survey, SPSS, 2024/25

4.3.4. Descriptive Statistics of evaluation

According to table 4.6 respondent opinions, around 90% were agreeing performance evaluation distinguishing effective performers from ineffective performers. Rather, only 23 (12.2%) disagree with ways to appeal a performance rating that they think is biased or inaccurate. However, around 101 (56.4%) employee agree that their evaluator is influenced by his/her personal linking and dislike when evaluating their performance. But also 121(64.4%) agree their evaluator evaluates my performance based on my accomplishment and achievement. Only half of the respondent agrees 100(53.2%) effective personal recognition is provided during review meeting.

Table: 4. 6:-Descriptive Statistics of evaluation in the case of Commercial Bank of EthiopiaAddis Ababa, Ethiopia 2024

Variables	**Measuring scales**				
	SD	**D**	**N**	**Ag**	**SA**
The performance evaluation form used to evaluate my performance is capable of distinguishing effective performers from ineffective performers	0	6 (3.2%)	15 (8%)	128 (68.1%)	33(20.7 %)

I have ways to appeal a performance rating that I think is biased or inaccurate	0	23 (12.2%)	50 (26.6%)	95 (50.5%)	20(10.6%)
My evaluator is influenced by his/her personal linking and dislike when evaluating my performance	8(4.3%)	40 (21.3%)	27 (14.4%)	101 (56.4%)	7(3.7%)
My Evaluator evaluates my performance based on my accomplishment and achievement	3(1.6%)	8(4.3%)	28(14.9%)	121(64.4%)	28(14.9%)
Performance is measured against the targets previously agreed upon	0	17(9%)	20(10.6%)	111(59.0%)	40(21.3%)
There is Regular performance evaluation review meeting in the bank	7(3.7%)	30(16%)	27(14.4%)	89(47.3%)	35(18.6%)
Effective personal recognition is provided during review meeting	7(3.7%)	23(12.2%)	31(16.5%)	100(53.2%)	27(14.4%)

Source: - own survey, SPSS, 2024/25

4.3.5. Descriptive Statistics of employee performance

Majority of employee agree the company is able to maximize employee potential and around 107 (58.5%) get a sense of personal accomplishment from my work. Rather 39

(20.7%) neutral about accountable for achieving specific results. Only 75(39.9%) employee agree negative financial and non-financial consequences of performance are utilized effectively and also around 70% agree the PMS of the company improved my work performance.

Table 4.7:- Descriptive Statistics of evaluation in the case of Commercial Bank of Ethiopia Addis Ababa, Ethiopia 2024

Variables	**Measuring scales**				
	SD	**D**	**N**	**A**	**SA**
The company is able to maximize employee potential	3 (1.6%)	8 (4.3%)	27 (14.4%)	103 (54.8%)	47(25.0%)
I get a sense of personal accomplishment from my work	0	8 (4.3%)	35(18.6%)	107 (58.5%)	35(18.6%)
I know how the company measures my performance	4(2.1%)	8 (4.3%)	20 (10.6%)	118 (62.8%)	38(20.2%)
I am held accountable for achieving specific results	0	7(3.7%)	39(20.7%)	92(48.9%)	50(26.6%)
Non-performing employees are held accountable	4(2.1%)	29(15.4%)	70(37.2%)	53(28.2%)	32(17.0%)
Performance management system	0	11(5.9%)	30(16.0%)	116(61.7%)	31(16.5%)

consequence positively on my individual performance					
negative financial and non-financial consequences of performance are utilized effectively	4(2.1%)	13(6.9%)	72(38.3%)	75(39.9%)	24(12.8%)
PMS establishes a clear connection between Performance and Rewards.	0	7(3.7%)	24(12.8%)	115(61.2%)	42(22.3%)
The PMS of the company improved my work performance	0	19(10.1%)	19(10.1%)	130(69.1%)	20(10.6%)
My career opportunities are much better due to my improved work performance	0	3(1.6%)	28(14.9%)	103(55.3%)	53(28.2%)

Source: - own survey, SPSS, 2024/25

As it can be seen from the below table 4.8 the statements called "My career opportunities are much better due to my improved work performance." has the highest mean value (4.1) which means most respondents agree regarding as better performance. While the statement "Non-performing employees are held accountable" has the lowest mean value of (3.4) and this lowest mean value implies that respondents are disagreed and almost all standard Deviation has the low standard deviation this implies that employee's or respondents express close opinion.

Table 4.8:- Descriptive Statistics of employee performance in the case of Commercial Bank of Ethiopia Addis Ababa, Ethiopia 2024

Variables	**N**	**mean**	**SD**
The company is able to maximize employee potential	188	3.9734	.84292
I get a sense of personal accomplishment from my work	188	3.9149	.73360
I know how the company measures my performance	188	3.9468	.81912
I am held accountable for achieving specific results	188	3.9840	.79083
Non-performing employees are held accountable	188	3.4255	1.01317
Performance management system consequence positively on my individual performance	188	3.8883	.74091
negative financial and non-financial consequences of performance are utilized effectively	188	3.5426	.87953
PMS establishes a clear connection between Performance and Rewards.	188	4.0213	.70867
The PMS of the company improved my work performance	188	3.8032	.75897
My career opportunities are much better due to my improved work performance	188	4.1011	.69790

Source: - own survey, SPSS, 2024/25

4.4. Correlation Analysis

The correlation between all variables of the study was analyzed using Statistical Package for Social Science (SPSS). The below correlation matrix shows correlation between variables in the questionnaire with a Pearson Correlation coefficient to show the strength of relationship among the variables considered in the questionnaire.

The correlation matrix in table 4.8 below indicates that employee's performance management system practices were positively and moderately correlated with Performance setting goal, performance feedback, and reward payment, performance appraisal and performance evaluation. The highest coefficient of correlation in this research lie between performance evaluation and employee performance is 0.787. There is a significant positive relationship between feedback and employee performance ($r = .637$, $n = 188$, $p \leq 0.01$). Hence, there is a significant positive relationship between employee's performance and performance appraisal ($r = .630$, $n = 276$, $p \leq 0.01$).

There is a weak positive correlation between performance setting goals and employment performance ($r = .556$, $n = 276$, $p \leq 0.01$). The above correlation matrix shows that all variables are positively and significantly correlate with the dependent variable employment performance management system which implies that the increase of the independent variables will also enhance effects of employee's performance.

Table 4.9:- Correlation Analysis in the case of Commercial Bank of Ethiopia Addis Ababa, Ethiopia 2024

Correlations							
		SG	FF	RW	PA	PE	EP
SG	Pearson Correlation	1	.622**	.665**	.650**	.477**	.556**
	Sig. (1-tailed)		.000	.000	.000	.000	.000
	N	188	188	188	188	188	188
FF	Pearson Correlation	.622**	1	.640**	.655**	.657**	.637**
	Sig. (1-tailed)	.000		.000	.000	.000	.000

	N	188	188	188	188	188	188
RW	Pearson Correlation	.665**	.640**	1	.770**	.643**	.598**
	Sig. (1-tailed)	.000	.000		.000	.000	.000
	N	188	188	188	188	188	188
PA	Pearson Correlation	.650**	.655**	.770**	1	.634**	.630**
	Sig. (1-tailed)	.000	.000	.000		.000	.000
	N	188	188	188	188	188	188
PE	Pearson Correlation	.477**	.657**	.643**	.634**	1	.787**
	Sig. (1-tailed)	.000	.000	.000	.000		.000
	N	188	188	188	188	188	188
EP	Pearson Correlation	.556**	.637**	.598**	.630**	.787**	1
	Sig. (1-tailed)	.000	.000	.000	.000	.000	
	N	188	188	188	188	188	188
**. Correlation is significant at the 0.01 level (1-tailed).							

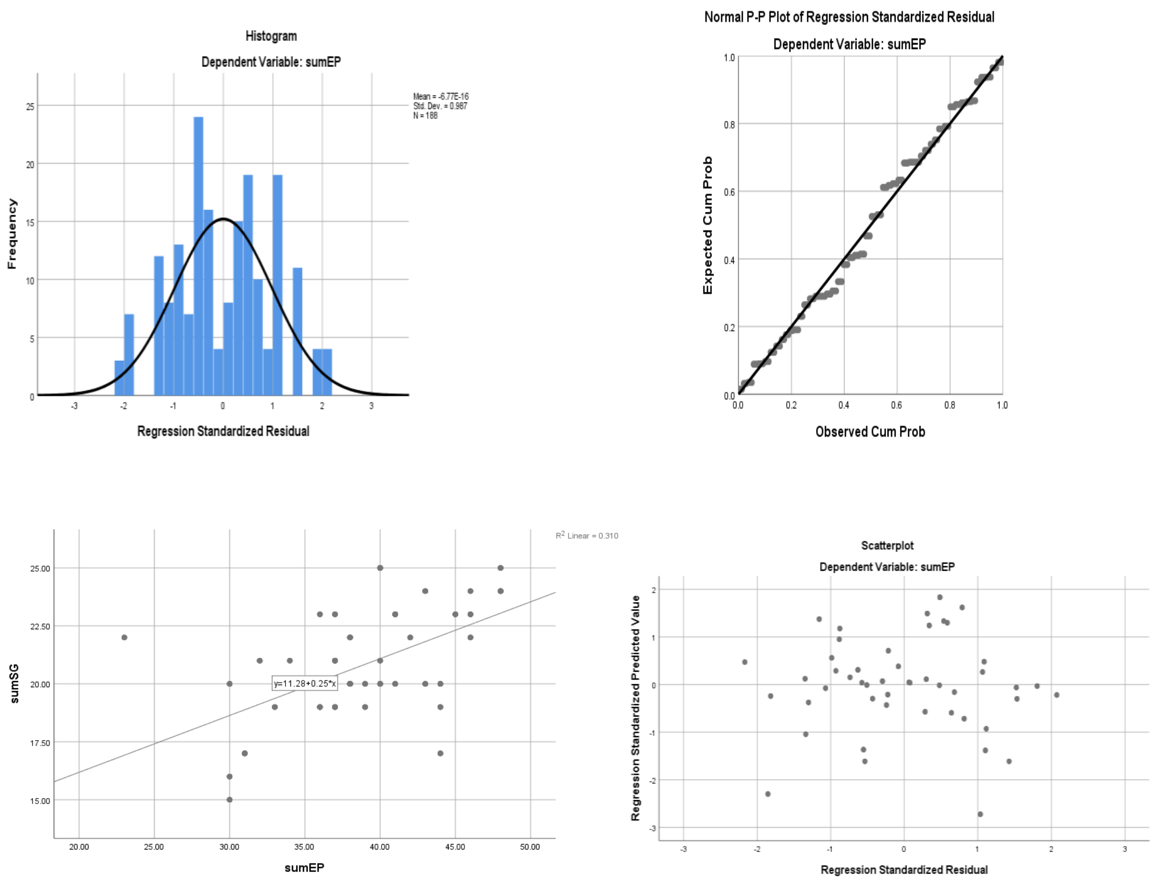
Source: own survey, SPSS, 2024/25

4.5. Regression Analysis Assumption

Multiple regression analysis was conducted to examine effect of employment performance on performance management system. In this survey, four hypotheses were developed to study the indirect effect of performance management system on employee's performance through performance appraisal, setting goals, evaluation and performance feedback.

Different scholars have stated various variables as dimension of employee's performance, among those variables, for the purpose of this study; only four variables were selected as dimension of employment performance. The effect of these five independent variables; were examined on the first dependent variable Appraisal (AP), setting goal (SO), Evaluation (EV) and Feedback (FE) and Reward (RW) were examined on the first dependent variable i.e. Performance Management System using multiple regression.

Assumption#1 The above diagram witnesses that normality assumption holds, i.e., the coefficient of kurtosis was close to 3 and the histogram symmetric statistic has a P-value of more than 5% implying that the data were consistent with a normal distribution assumption



Source: own survey, SPSS, 2024/25

Figure 4.1:- Regression analysis assumption

Assumption #2: Durbin-Watson statistic showed that this assumption had been met, if 1.5 < D-W, 2.5, then autocorrelation (independence) not violated (Durbin-Watson = 1.64).

Table 4.10:- Multi-collinearity among Explanatory Variables

Model		Collinearity Statistics
		VIF
1	(Constant)	
	SG	2.138
	FF	2.383
	RW	3.065
	PA	2.979
	PE	2.153

Source: own survey, SPSS, 2024/25

Assumption#3 Multi-collinearity among Explanatory Variableswasas per the result of VIF VIF<10 then Multi-co linearity not violated.

4.5.1 Model Summary of Explanatory Variables

Table 4.11Model summary of Explanatory Variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.820[a]	.672	.663	3.06115	1.64
a. Predictors: (Constant), SG, FF, PA, RW, PE					
b. Dependent Variable: EP					

Source: own survey, SPSS, 2024/25

a model summary with R= 0.82 and indicating that the independent Variable performance management (Appraisal, setting goals, feedback, reward and evaluation) predicts the dependent variable (Employee performance) and the R square (coefficient of determination) indicates the proportion of variance that can be explained in the dependent variable by the linear combination of the independent variables. In the model summary R amounted to 0.82; this indicates that variation order can be accounted for 82 % of the determinates (employee performance) and the R square (coefficient of determination) where the rest 67.2% of variation may be explained by either by determinates

4.5.2 ANOVA Analysis

Table 4.12ANOVAof Explanatory Variables

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3487.625	5	697.525	74.437	.000[b]
	Residual	1705.455	182	9.371		
	Total	5193.080	187			
a. Dependent Variable: EP						
b. Predictors: (Constant), PE, SG, FF, PA, RW						

Source: own survey, SPSS, 2024/25

Table 4.10 provides the results on the analysis of the variance (ANOVA).The results indicate that the overall model was statistically significant. Further, the results imply that the independent variables are good predictors of Employee performance in Dashn bank Addis Ababa Ethiopia. This was supported by an F statistic 74.4 and the reported p value (0.00) which was less than the conventional probability 0.05.

4.5.3 Coefficient of Explanatory Variables

Table 4.13Coefficient of Explanatory Variables

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constan	4.947	2.189		2.260	.005

	t)					
	SG	.390	.141	.172	2.765	.000
	FF	.085	.063	.089	2.352	.000
	RW	.077	.108	.053	2.715	.000
	PA	.191	.121	.115	2.571	.000
	PE	.817	.084	.608	9.759	.000

- ✓ Moreover, the p-values observed above (Sig = .000) authenticates the degree of significance between the tested variables at a commendable 1% level, which is also reaffirmed by the t-stat (setting goals =2.7) satisfying t> (-/+) 2. On a parallel note, the coefficient (B =0.39) suggests that there is a strong positive correlation between legal dimension of setting goals and employee performance.
- ✓ Moreover, the p-values observed above (Sig = .000) authenticates the degree of significance between the tested variables at a commendable 1% level, which is also reaffirmed by the t-stat (feedback =2.3) satisfying t> (-/+) 2. On a parallel note, the coefficient (B =0.085) suggests that there is a strong positive correlation between legal dimension of feedback system and employee performance.
- ✓ Moreover, the p-values observed above (Sig = .000) authenticates the degree of significance between the tested variables at a commendable 1% level, which is also reaffirmed by the t-stat (reward =2.7) satisfying t> (-/+) 2. On a parallel note, the coefficient (B =0.077) suggests that there is a strong positive correlation between Legal dimension of reward system and employee performance.
- ✓ Moreover, the p-values observed above (Sig = .000) authenticates the degree of significance between the tested variables at a commendable 1% level, which is also reaffirmed by the t-stat (appraisal=2.5) satisfying t> (-/+) 2. On a parallel note, the coefficient (B =0.19) suggests that there is a strong positive correlation between Legal dimension of performance appraisal and employee performance.
- ✓ Moreover, the p-values observed above (Sig = .000) authenticates the degree of significance between the tested variables at a commendable 1% level, which is also

reaffirmed by the t-stat (performance evaluation =9.7) satisfying t> (-/+) 2. On a parallel note, the coefficient (B =0.81) suggests that there is a strong positive correlation between legal dimension of performance evaluation and employee performance.

4.5.4 Hypotheses Testing

Table 4.14:- hypothesis test Employee's Performance in the case of Commercial Bank of Ethiopia Addis Ababa, Ethiopia 2024

Hypothesis	**Output**	**Result**
Ha1: Setting objective have positive and significant effect on employee performance	Output (1) As the P value is less than 0.05 (in table 4.11), so I accept the alternative hypotheses along with concluding that there is significant association between Setting objective and Employee Performance.	Accept
Ha2: Feedback has positive and significant effect on employee performance	Output (2) As the P value is less than 0.05(in table 4.14), so I accept the alternative hypotheses along with concluding that there is a significant relation between Feedback and Employee Performance.	Accept
Ha3: reward has positive and significant effect on employee performances	Output (3) As the P value is less than 0.05(in table 4.17), so I accept the alternative hypotheses along with concluding that there is a significant relation between reward and Employee Performance.	Accept
Ha4: Appraisal has positive and significant effect on employee performance	Output (4) As the P value is less than 0.05(in table 4.20), so I accept the alternative hypotheses along with concluding that there is a significant relation between appraisal and Employee Performance.	Accept

Ha5: Performance Evaluation has positive and significant effect on employee performance	Output (5) As the P value is less than 0.05 (in table 4.23), so I accept the alternative hypotheses along with concluding that there is a significant relation between performance evaluation and Employee Performance.	Accept

Source: own survey, SPSS, 2024/25

4.6 Discussion on the result

There are positive relationships between units of setting objective and employee performance during the investigations. As regards, the results show that units of setting objective will increase standardized Bata (B) Employee performance will increase by 0.17; t= 2.7 and p-value =0.00 at 0.05 level of significant, all other variables are constants. This results confirm by (SISAY, 2021), Involvements of employees in setting objectives in Commercial Bank of Ethiopia have positive significant effect on employee performance B1= 0.488 with P= 0.00. Accordingly to the findings, majority of the respondent confirmed that performance targets are set and cascaded by a person who have little knowledge on my specific work or qualification and thus in order to achieve individual targets as well as organizational strategic goals plan should be reviewed and consulted by the nearby supervisors.

Regression of coefficients results in table. As regards Appraisal, the results show that; t=1.5 and p-value =0.00since at the B=0.11level of significant there exist enough evidence to conclude that the Appraisal is less than 0.05, hence, According to (Chetana et al., 2015) appraisal results provides vital information about a worker strength and weaknesses, training needs and reward plans such as advancement, promotion, pay increase, demotion and work or performance improvement plans. Performance appraisals have the equal probability of having a bad effect on the organization as well as employee performance. But in employee's performance in Prison Fellowship Ethiopia (JFA-PFE) organization show coefficient table indicated that performance appraisal didn't have significant effect on

The p-value of performance appraisal is above 0.05 which implies that it has no significant relationship with employee performance.

Feedback system has no significant relationship with employee’s performance in this study finding, But according to (Awan et al., 2020)suggest that positive feedback promotes engagement by affecting the socio-emotional climate in organizations. And in this study ensure such issues, 164 (59.4%) and 28 (10.1%) of employees agreed and strongly agreed respectively to supervisors provide continuous, timely and constructive feedback to subordinates. Consistent with previous research by (Mdhlalose, 2023), a strong foundation of this process is an efficient personal performance feedback, which offers the information required for the majority of the necessary administrative decisions. People are greatly aided by this system in using their skills to further the objectives of the organization (Gong, Wang, Huang, & Cheung, 2017). This investigation shows that employee performance and performance feedback are positively correlated. In several contexts, workers' performance significantly increased when they were given clear objectives to meet and received performance feedback (Favero, Meier, & O’Toole Jr, 2016).

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Based on the result and interpretation done in the previous chapter, a summary, conclusions and recommendations for the study are presented as follows.

5.1 Summary of major findings

This study represented by explanatory research as the correlation as well as the effect of performance management system on employee performance using correlation and multivariate regression. The data source used in this study was both primary and secondary data source. Structured questionnaire was distributed to employees of Commercial Bank of Ethiopia. The sampling technique is stratified random sampling. Therefore, the primary data required for the study was gathered from the 188 staff members of the organization through a questioner. And investigated using structured questionnaire prepared based on 5 point Likert Scale rating from 1 (strongly disagree) to 5 (strongly agree).

- According to setting goals in table 4.2 ,117 (62.2%) strongly agree and agreed that all employees clearly know the purpose and process of performance management system and this shows that large numbers of employees know what performance management is. In table 4.3 Positive feedbacks is also likely to promote engagement and performance. (Chetana et al., 2015) suggest that positive feedback promotes engagement by affecting the socio-emotional climate in organizations. And table no. 4.8 ensure such issues, 105 (55.9%) and 60 (31.9%) respondent agree and strongly agree respectively their supervisors are reasonable expectations from their work. Around half of the employee agrees 95 (50.5%) the bank positively influenced their productivity by linking reward and promotion with performance targets. From table no. 4.5, we conclude that 173 (92.3%) percent of total employee's replied to either agree or strongly agree that clearly understand the purpose of performance appraisal. according to respondent opinions, around 90% were agreeing performance evaluation distinguishing effective performers from ineffective performers. Rather only 23 (12.2%) disagree with ways to appeal a performance rating that they think is biased or inaccurate.

- The correlation matrix indicates that employee performance was positively and moderately correlated with setting goals, feedback, reward, appraisal and evaluation. The highest coefficient of correlation in this research lie between performance evaluation and employee performance is 0.787. There is a significant positive relationship between feedback and employee performance ($r= .637$, $n = 188$, $p \leq 0.01$). Hence, there is a significant positive relationship between employee's performance and performance appraisal ($r = .630$, $n = 276$, $p \leq 0.01$).
- In addition, in the model summary R amounted to 0.82; this indicates that variation order can be accounted for 82 % of determinates (employee performance) and the R square (coefficient of determination) where the rest 67.2% of variation may be explained by either by determinates. Henceforth, we conclude that performance setting objectives, feedback appraisal, reward and evaluation has significant relation with employees' performance

5.2 Conclusion

Commercial Bank of Ethiopia had been using a traditional performance appraisal method for recent of years which had some gaps in measuring actual performance. A better PMS is created to assess employees' financial and non-financial performance and reward them according to outcomes in order to close the gaps that have been seen. Four specific objectives were, therefore, set to help investigate the issue. These objectives have been achieved to a large extent.

With regards to objective one and the findings indicate that having a conversation with the staff while developing goals has a favorable effect on achieving both individual and organizational goals. In a similar vein, the results reveal that the goal-setting process is not collaborative, meaning that decisions are made centrally with minimal employee input and call for management's attention.

With regards to the second research objective, Positive comments are probably going to encourage performance and involvement as well. According to the study's findings, respondents believe that their supervisors have realistic expectations for them at work. Also, their managers have regular discussions regarding how well they are doing their jobs. It is important to implement effective and efficient feedback policies so that employees are always well-equipped. Technology flexibility and constant development are required as it changes.

With regards to the third research objective, according to the data, workers who reach predetermined productivity targets may receive rewards. Workplace motivation is a result of the manager's formal recognition of excellent employee performance. Opportunities for rewards inspire employees to be imaginative and inventive. Using a reward system has always been crucial to any business's success in achieving its objectives. Rewarding good performance increases the likelihood that it will happen again, whereas discouraging poor performance lowers the likelihood that it will. Bonuses are a sort of reward that increase work interest and output. Promotions inside the company have the potential to boost worker performance.

Regarding the fourth research objective, the results indicate that higher production is a result of employee appraisals. The emphasis of performance assessments is on how well employees contribute to the objectives of the company. Employees have the chance to voice their expectations and ideas for achieving the company's strategic goals during performance reviews. Employee motivation and performance can be improved by an efficient appraisal system, which can help them finish assigned tasks or meet or surpass performance goals.

The opinions of the respondents indicated that they agreed that performance evaluations might discriminate between effective and ineffective performers. Nonetheless, the vast majority of employees concur that their assessor's assessment of their work is impacted by personal connections and dislikes. While performance evaluations give managers and staff members the chance to evaluate how well performance goals have been met, engagement evaluations give them the chance to evaluate how much behavioral engagement has been shown by staff members.

Generally the study was examined effect of performance management system on employee performance this findings are consistent with the results of previous studies on the relationship between performance management systemsand their significant impact on employee. The study concludes that positive effect of a performance management system on employee performance. This study contributes to the present understanding of the relationshipbetween performance management system (Appraisal, setting goals, feedback, reward and evaluation) related to employee performance, which means the performance management system act as a catalyst to engender employee performance.

5.3 Recommendation

In considering the major findings of the study and the conclusions drawn, an attempt was made to provide potential suggestions from the researcher in order to improve the performance management system's outcome.

- Employee Involvement in Goal Setting: Encourage employee participation when setting goals at the start of the Performance Management System (PMS). This helps staff understand expectations and align their work with company objectives, as employees are more likely to pursue goals they find desirable.
- Constructive Feedback: Implement a system of regular and constructive feedback to boost employee productivity. Clear feedback helps staff understand what's expected of them.
- Performance-Based Compensation and Recognition: Reward staff for increased output and formally acknowledge commendable efforts. Create a flexible reward scheme that encourages creativity in achieving organizational goals. This reinforces desired performance and discourages subpar work.
- Adjusted Performance Reviews: Center performance evaluations on each employee's contribution to company objectives. During reviews, encourage employees to share their thoughts and expectations for achieving strategic goals.
- Promotions for Performance: Utilize promotions to enhance employee performance. A fair review process can foster a sense of job security, leading to increased productivity.

5.4 Recommendation for future Researchers

The researcher's ability to conduct the research study on a broader population scale was restricted by financial constraints and the modest scale of the investigation. Staff development has had a mediating function in the study's examination of the relationship between employee performance and the performance management system. As a result, the researcher recommends conducting more extensive research at other schools to determine whether outcomes similar to those shown in this study would be achieved there.

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APPENDIX I

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

SCHOOL OF BUSINESS

MASTERS OF BUSINESS ADMINISTRATION

Dear Respondents,

This is a questionnaire designed to collect data for the topic "**Effect of performance management system on the employees' perception: the case of Commercial Bank of Ethiopia"** to the partial fulfillment of the required for the award of Master of Business Administration (MBA). This study is purely for academic purpose and in no ways that affects the respondent's personality. It will be kept confidential. So that, you're genuine view, frank opinion & timely responses are very valuable in determining the success of the study. Therefore, you are kindly requested to extend your cooperation honestly by providing relevant information and filling out the following questions that are prepared for this study.

Thank you, for your cooperation and timely response in advance

Yours sincerely,

HikmaSani

NB: PMS belongs to performance management system.

Questionnaire

Part I: Demographic Characteristics of the Respondents

Instruction: for each of the following questions, please circle the number of the alternative that fit for your response.

Please put a "√" mark on your choices

1. What is your sex? ☐ Male ☐ Female
2. How old are you? Only in year_______________
3. Educational level? ☐ Certificate ☐ Diploma ☐ Degree ☐ Masters & Above
4. Your current positions ☐ Manager ☐ CS☐ ☐ CRO CSM ☐ CSO, accounts ☐ CSO, cash

5. Your work experience at Commercial Bank of Ethiopia________________

Part II: Performance Management System of your organization

Use these responses from 1 to 5 to answer where: **1. strongly Disagree; 2. Disagree; 3. Neutral; 4. Agree; 5. strongly Agree**

Variables	Measuring scales				
	Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Stron gly Agree**
Setting Goals/plan					
1.Managers set clear goals with their direct reports					
2. As an employee I clearly know the purpose and process of PMS.					
3.The PMS was developed with inputs from the staff throughout the department					
4.Relevant performance expectations are set between supervisor and employee					
5.I know my work is important in the performance of the organization					
Performance Feedback					
	Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Stron gly Agree**
1.Supervisors have reasonable expectations from my work					
2.My supervisor discusses regularly with me about my job performance					
3.My supervisor recognizes me when I perform better					
4.My supervisor give me valuable feedback					
5.I clearly understand my supervisors' comments and opinion during the feedback					
6.Supervisors set guideline for improving feedback during					

performance review					
7.Supervisors provide continuous, and constructive feedback to subordinates					
Reward Systems					
	Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
1.The PMS in my organization reward good performance and discourage poor performance					
2.The rewards provided by my organization motivate me to exert more effort in my work					
3.The rewards are varied and satisfactory					
4.The rewards motivate me to be continuous in completing my duties					
5.I Aligned strategic activities of the bank with my performance targets					
6.The bank positively influenced my productivity by linking reward and promotion with performance targets					
Performance Appraisal					
	Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
1.I clearly understand the purpose of performance appraisal					
2.My supervisor is honest and fair in my performance review					
3.Performance appraisal reflects my performance objectively					
4.Performance appraisal makes me better understand what I should do					
5.Performance appraisal process helps supervisor to manage people better					
Performance Evaluation					

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.The performance evaluation form used to evaluate my performance is capable of distinguishing effective performers from ineffective performers					
2.I have ways to appeal a performance rating that I think is biased or inaccurate					
3.My evaluator is influenced by his/her personal linking and dislike when evaluating my performance					
4.My evaluator evaluates my performance based on my accomplishment and achievement					
5.Performance is measured against the targets previously agreed upon					
6.There is Regular performance evaluation review meeting in the bank					
7.Effective personal recognition is provided during review meeting					
Employee Perception					
	Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
1.The company is able to maximize employee potential					
2.I get a sense of personal accomplishment from my work					
3.I know how the company measures my performance					
4.I am held accountable for achieving specific results					
5. Non-performing employees are held accountable					
6.Performance management system consequence positively on my individual performance					
7.Negative financial and non-financial consequences of performance are utilized effectively					
8. PMS establishes a clear connection between Performance and Rewards.					

9.The PMS of the company improved my work performance					
10.My career opportunities are much better due to my improved work performance					

Thank you for your time and cooperation