

# **Performance Management Practice and its Effectiveness in Motivating Employees: The case of Dashen Bank S.C.**

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A thesis submitted to Addis Ababa University College of Business and Economics School of Commerce Graduate Studies Program in partial fulfillment of the requirements of the Degree of Masters of Arts in Human Resource Management

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## Declaration

I, Samson Tesfaye, hereby declare that the research study entitled ***“Performance Management Practice and its Effectiveness in Motivating Employees: The case of Dashen Bank S.C.”*** is a result of my own effort and has not been presented for degree, diploma or fellowship to any other university or college. In addition, all sources material used in this study are duly acknowledged.

Samson Tesfaye

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Signature and Date

## Certification

This is to certify that Ato Samson Tesfaye has properly completed his thesis work entitled “***Performance Management Practice and its Effectiveness in Motivating Employees: The case of Dashen Bank S.C.***” under my supervision. In my opinion, his project work is appropriate to be submitted as a partial fulfillment requirement for the award of Degree in Masters of Human Resource Management.

Matiwos Ensermu (PhD)  
Advisor

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Signature and Date

## **Acknowledgement**

*Above all, it is the Almighty God who makes things to happen for the good of meand gave me the strength and patience to overcome those obstacles that were found in front of my path. I do not have a word to express my thank toHim, just I say THANK YOU for all You gave me, the health, wisdom and Your grace that stayed upon me throughout my life.*

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*Samson Tesfaye*

*May 2015*

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## **Abbreviations**

DB: Dashen Bank S.C.

HR: Human Resource

HRM: Human Resource Management

PM: Performance Management

PMS: Performance Management System

## **Abstract**

*This study give due attention on the practice of performance management practice and the effectiveness of this practice on the motivation of employees in one of leading private bank in the country. The research is designed to apply descriptive statistics by using questionnaires and document review. A sample of 246 participants was randomly selected and questionnaires were administered from which 186 of them returned the questionnaires. The key finding of the study shows that even if most respondents reported that they have the required knowledge about the bank's mission, vision and overall strategic objectives of the companies including their jobs, the bank has a disorganized and unstructured performance management practice as well as the measurement of performance of the employees gave focus on complying rules instead of on outcomes.*

*Likewise, most of the employees show de-motivation by the performance evaluation system of the bank. Moreover, it is found that changes in the practice of performance management have effect on the motivation of employees and also the selected eight motivational factors have a positive relationship with the motivation of employee even if there is a varying degree of effect they have on the motivation.*

*The study extended its recommendation that the bank should conduct continuous assessment and evaluates its employees in a cyclic fashion by implementing performance management system. And performance evaluation process should have incorporated stakeholders (team mates and customers) and self-assessment, adding on these, the bank should exert more effort to improve employees' motivation by linking its reward system with the performance management process.*

**Key words:** Performance management, motivation, bank

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1. Background of the Study**

Today, organizations changing gear from considering and focusing on the financial aspect of their organization instead start to give due attention for the performance of employees and its management in order to attain the desired result. Performance management, nowadays, plays a vital role for the successful achievement of organizations' objectives and goals. The term performance management was derived from the human resource management approach as a strategic and integrated approach to the management and development of people (Foot and Hook, 2002). It is a broad term which basically intended to assist organizations to manage both results and behavior which are the two vital aspects of performance (Homayounizadpanah and Baqerkord, 2012).

According to Noe et al. (2007, p. 248) 'performance management is the process through which management ensure that employee's activities and outputs contribute to the organization's goals.' This process requires knowing what activities and outputs are desired, observing and providing feedbacks to help employees meet expectations. In such process, as stated by Dessler (2005), evaluating of employees' performance is crucial to the organizations because it combines goal setting, performance appraisal and development into a single system that aim to ensure employees' performance supports company's strategic aims by anchoring itself on the philosophy of continuous improvement.

The relationship between performance management and motivation approaches viewed differently by different author. For example, Dessler (2005, p.311), citing in W. Edwards Deming, state that 'employee's performance is more a

function of things like training, communication, tools, and supervision than of his or her own motivation.’ But Foot and Hook (2002) described performance management as a process i.e. it is a result of series of actions of which seeks to find ways to get the best performance from all to motivate them to achieve the organization’s objectives. Thus, based on Foot and Hook explanation, one of the major aims of performance management is motivating employees so that they are encouraged, recognized and willing to expend more effort on the achievement of their individual goals, as a result organization will achieve what they are planned and aspire for. It can be considered that motivation is regarded as a concept which embraces preferences for particular outcomes, strength of effort and persistence. These are the factors that need to be understood in order to explain workforce motivation and behavior. These are the factors that used to motivate employees to behave in organizationally desirable ways (Huczynski and Buchanan, 2007).

Therefore, it is important to assess and explore the relationship between performances management of the organization with that of motivation of employees if it is believed that employee’s inspiration is the driving force that makes employees to strive more on the successful achievement of organizational wide strategic plans. And management and employees should have understanding on the performance management and its system which will guarantee the organization’s future success because it will set goal congruence between organization and individual, provide the context for fairly and objective measurement and evaluation employee’s effort, feedback and reward employees based on the observed achievement. Hence, the performance management will build organization’s reputation in delivering it promised final output and giving the much need behavioral change of employees that is desired by the organizations.

## **1.2. Background of the Organization**

Dashen Bank is one of private bank that contributing its share for the development of the country's economy. The bank employed more than three thousands eight hundred employees who work in twelve departments, 154 branches and five foreign currency exchange bureaus which are spread over major towns in the country. One of the most challenging but rewarding job for such kind service render company with wide diverse workforce is managing the performance to achieve its goals and objective. Thus, the bank established human resource department to meet objectives of organizations and gave priority and emphasis to manage its human resource in an effective, efficient, economical manner and in line with labor related laws of the country.

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

Performance management, in most organizations, is limited to appraisal which is usually conducted semi-annually or annually. Several literatures on the subject stressed that performance appraisal is a central part of the performance management process in which an employee's contribution to the organization, during a specific period is assessed (Ojokuku, 2013). Performance appraisal can improve both motivation and performance; however, it faces different criticism from different researchers. For example, Ahmad (2013) argued that the main issue in the practice of performance appraisal activity is the fairness of the evaluation decision. Raters have problems evaluating the performance appraisal in a proper way. Performance of individual employees that is not measured accurately can lead to dissatisfaction with the process.

The management of the Dashen bank, recently, agreed in principle to implement broader and well-structured performance management system (PMS) to improve the management of its human capital. However, the existing practices of performance management give more attention to performance appraisal which was implemented to evaluate employees semi-annually. This

tendency creates discontent among employees who voice that their efforts are unfairly judged and voice their grievance on the criteria used to measure the accomplishment of the intended job.

Employees' commitment and dedication are battered due to management's lack of support and acknowledgment of their contributions for the success of organization this is evident from the fact that some key professionals were left the bank. From the discussion made with staffs of the bank, the researcher found out that, frustration in the rewarding and promotional policies make them de-motivated to exert more effort and to aspire for better future together with the bank. Employees disheartened by the existing performance appraisal practices because of the high tendency of the subjectivity of measurements, the attitude of line managers toward them especially during evaluation periods, lack of fair, objective and continuous assessment of the employees' effort and lack of coordination in providing motivational factors (financial and non-financial). Hence these observed shortcomings of the bank become the basis for the desire to conduct this research.

#### **1.4. Research Questions**

In light of the above discussed points, this research will aim to give answer for the following basic question:

*What is the practice of performance management in Dashen bank and how well the bank uses this practice to motivate its employees to achieve organizational and individual objectives?*

In addition, the research will try to provide answer to the following sub questions:

- *What is the attitude of the management and employees toward the existing performance management process?*

- *What is the perception of management and employees about the bank's performance evaluation system? and*
- *What purposes serve the bank's performance evaluations system?*
- *What is the contribution of the performance management practice in motivating employees?*

## **1.5. Objective of the Study**

### **1.5.1. General Objective**

Based on the research questions that are outlined in the above section, this study give more emphasis to identify the sources of those shortcomings as well as the relationship exist between the current performance management practice of the bank and the motivational activities provided by the bank in order to improve its employees performance. Therefore, the overall objective of this study is ***to investigate the status of existing practice of performance management of the bank and to assess its effectiveness in inducing motivation for achieving organizational and individual goals.***

### **1.5.2. Specific Objectives**

Moreover, this study aims to:

- Determine whether the bank's goals and objectives are aligned with employees' goals and reach performance agreement.
- Investigate the relationship between performance management practice and motivation of employees.
- Evaluate the attitude of management and employees toward the existing performance management practice.
- Ascertain whether performance appraisal output is used for the benefit of organization and employees.

## **1.6. Significance of the Study**

The research conducted by this study, in particular for Dashen Bank S.C, is considered to be essential because it will provide information about the performance management activities of the bank in relation with its core business strategy and analyze the effectiveness of the performance management practice in motivating its employees in order to achieve the desired outcome.

This study will also pave the way for the identification and implementation of performance management system that should be installed and practiced in order to support the realization of organization and employee performance expectation and make the bank more vigilant in tracing pitfalls in the process that inhibit the development of employees as well as the bank itself. It also helps to spot out unfruitful practices in performance evaluation that foster demotivation in employee's behavior and introduce new practices for better performance.

Moreover, it can be serve as a reference document for future researchers who will be interested in investigating the relationship of performance management with motivation of employees as well with other variables that can have impact on the organization output. The results of this study will also have greater contribution to the human resource practitioners that will design and administer the performance management system. It's the researcher believe that this study impart some ideas on practitioners as well as bank officials minds to conduct much wider and advanced research on the subject area.

## **1.7. Scope and Limitation of the Study**

Assessing the performance management practice of different business organization that is available for this kind of study is very difficult and impossible because of number of limitations imposed by external and internal factors. The study has been delimited conceptually and methodically. Despite

the fact that there was an interest to cover major concepts in the performance management practice and their applicability, to include other banks, to participate all bank professionals working for this bank, and to cover all branches of the bank that are distributed throughout the country, resource limitation like time and budget coupled with very large population size and geographic constraints forced this study is to delimited to only in one company, Dashen Bank S.C and its employees working at the head quarter which focused on clerical and non-clerical employees.

The research, conceptually, also limited to give more emphasis for the investigation of the relationship between performance management and motivation of employees. As it is known that motivation is not the only factor that will be affected by the performance management process. In addition, temporal constraints also force the study to concentrate only on the current situation of the company chosen for this study.

Other limitation is accounted to the researcher personal shortcomings such as the lack of prior experience in conducting structured and methodical research. Furthermore, the employees of the bank that this research targeted to investigate are engaged in service rendering that they are in a constant interaction with the customers of the bank and this situation make some of the employees not to fill out the questionnaires in a given time after submission to them. And also others lack interest to fill out the given questionnaires even if they agree and accept them and not returned. And some other respondents were not providing genuine answers for the presented questions in the questionnaire. Moreover, there was time constraint to collect and analyze all responses. The other major limitation that this research encountered is that since it is conducted on a single company and does not cover the whole employees of the bank, the finding of the study will be hard to make generalizations.

## **1.8. Ethical Issues**

So as to get the required results, during data collection and the data interpretation processes, the researcher tried to make it realistic and free from bias as much as possible. Furthermore, the researcher also made an effort to persuade the participants of the survey about the importance and the purpose of such study that helps the bank in identifying the gap in practicing performance management and promised that any confidential information that they disclose is kept confidential and as promised information was not disclosed to nobody.

## **1.9. Organization of the Study**

The study paper comprises five chapters. The first chapter will focus on general idea on the background, objectives of the study, research questions, and statement of the problem, significance of the study, methodology of the study, validity and reliability of the study and describes briefly the delimitation (scope) and limitation of the study; and the organization of the paper. The second chapter deals with review of related literature and the theoretical framework of the subject matter to reinforce the study by discussing the relevant literature from different materials written by various scholars in the field of HRM and performance management. The third chapter devoted on the methodology to the research. The fourth chapter concentrated on the major empirical findings from assessment of the performance management practice and its effectiveness in motivating employees where in the data gathered are analyzed and interpreted by using tables and SPSS. Finally, the fifth chapter finalizes the study by giving summarization of findings, conclusions and recommendations based on the research findings.

## **CHAPTER TWO**

### **REVIEW OF THE LITERATURE**

#### **2.1. Performance and Performance Management**

The term *performance* as explained by Bernardin (2003) is the combination of terms such as ability, effort and opportunity that determine the individual's accomplishment of the given job. He defined performance as (2003, p.143) 'the record of outcomes produced on specified job functions or activities during a specified time period.' The writer emphasizes that the definition of performance refers to a set of outcomes produced during a certain period of time, and does not refer to the traits, personal characteristics, or competencies of the performer. It was typically seen as the result of the interaction between individual ability and motivation (Torrington et al., 2005).

Task performance, according to McShane and Von Glinow(2008), refers to goal-directed behaviors under the individual's control that support organizational objectives. Task performance behaviors transform raw materials into goods and services or support and maintain technical activities. On the other hand, the measurement aspect of performance is another dimension that writers gave due attention such as Armstrong (2009, p. 31), defined it by citing the definition given by Campbell, McCloy and Sager (1993) as 'behavior or action relevant to the attainment of the organization's goals that can be scaled, that is, measured.' Performance is also considered as multidimensional with similar behavior and actions constitute each dimension. The components in this theory consist of: (1) job-specific task proficiency; (2) non-job-specific proficiency (e.g. organizational citizenship behavior); (3) written and oral communication proficiency; (4) demonstration of effort; (5) maintenance of personal discipline; (6) facilitation of personal and team performance; (7) supervision/leadership; and (8) management/administration.

There are a number of factors affecting the performance of individual, as Beardwell et al., (2004) stated by citing in Vroom (1964) suggestion that the main factors affecting performance are individual ability and motivation toward executing the job. For effective performance both individual attributes are essentially required by employees. Blumberg and Pringle (1982) also included organizational support in addition to individual attributes and work effort as a factor that affect performance.

A number of scholars in the fields of human resource management and performance management provide different definitions of performance management. Armstrong (2009, p.186) defined *performance management* as ‘a systematic process for improving organizational performance by developing the performance of individuals and teams.’ Elaborating more on the point, he added that it is ‘an approach to obtain desired outcomes by establishing shared understanding about goals and managing performance of employees in a way that optimizes the prospect of achieving the desired outcomes in the given period of time.’ Similarly, in his book *Strategic Human Resource a Guide to Action* (2006), he articulated the term by stressing its strategic importance for organizational attainment of goals and objectives and can be integrated with other systems for delivering of sustainable success to the organization by improving the performance of the employee through the development of the capabilities of team and individual.

Fisher et al., (2006, p.421) defined performance management in relation with the alignment of employee’s goals with that of the organization and performance evaluation system. Thus, they provide the definition as ‘the integration of performance appraisal systems with broader human resource systems as a means of aligning employees’ work behaviors with the organization’s goals.’ According to Briscoe and Claus (2008) definition, as cited by Fisher et al., (2006), performance management as a process comprises managing of employees by measuring the job-performance and using the information to ensure that performance meets the standard and improves over

time. And as operational process, performance management is the system through which organizations set work goals, determine performance standards, assign and evaluate work, provide performance feedback, determine training and development needs and distribute rewards.

## **2.2. Purpose of Performance Management**

The purpose of performance management (Fisher et al., 2006) is linking of organization's overall strategy to that of employee goals, their behaviors which use to achieve those goals and feedback of information about performance. And Stredwick (2005) argues that the purposes driving performance management divided into two, they are operational and cultural reasons. According to his description, the operational reason serves to lead and control, the performance management system sets out to communicate the link between an organization's mission and strategic direction and the required employee performance. It also acts as a measure of the effectiveness or efficiency of the workforce. The cultural reason of purpose of performance management is that, it serves to build open relationship between managers and employees and provides the opportunity for employees to have a voice in the process through individual performance plan. Another important purpose is it serves to produce a system that is regarded as fair and equitable.

## **2.3. The performance Management Process**

Different researchers try to describe the process of performance management using different kind of models. Fisher et al., (2006, p.421) provided explanation of the process of performance management based on a model that consists of four parts:

1. *Defining performance*: it is desirable to carefully define performance so that it supports the organization's strategic goals. Setting clear goals for individual employees is a critical component of performance management.

2. *Appraisal process*: it is important to conceptualize an appraisal process that will be steady across the organization and consistent with the culture of the organization. There are many ways of appraising employee performance, and the system adopted has to be one that will work in the context of the particular organization involved.
3. *Measuring performance*: measuring performance does not need to be narrowly conceived but can bring together multiple types of performance measured in various ways. The key is to measure often and use the information for midcourse corrections.
4. *Feedback and coaching*: to improve performance, employees need information (feedback) about their performance, along with guidance in reaching the next level of results. Without frequent feedback, employees are unlikely to know that their behavior is out of synchronization with relevant goals or that to do about it.

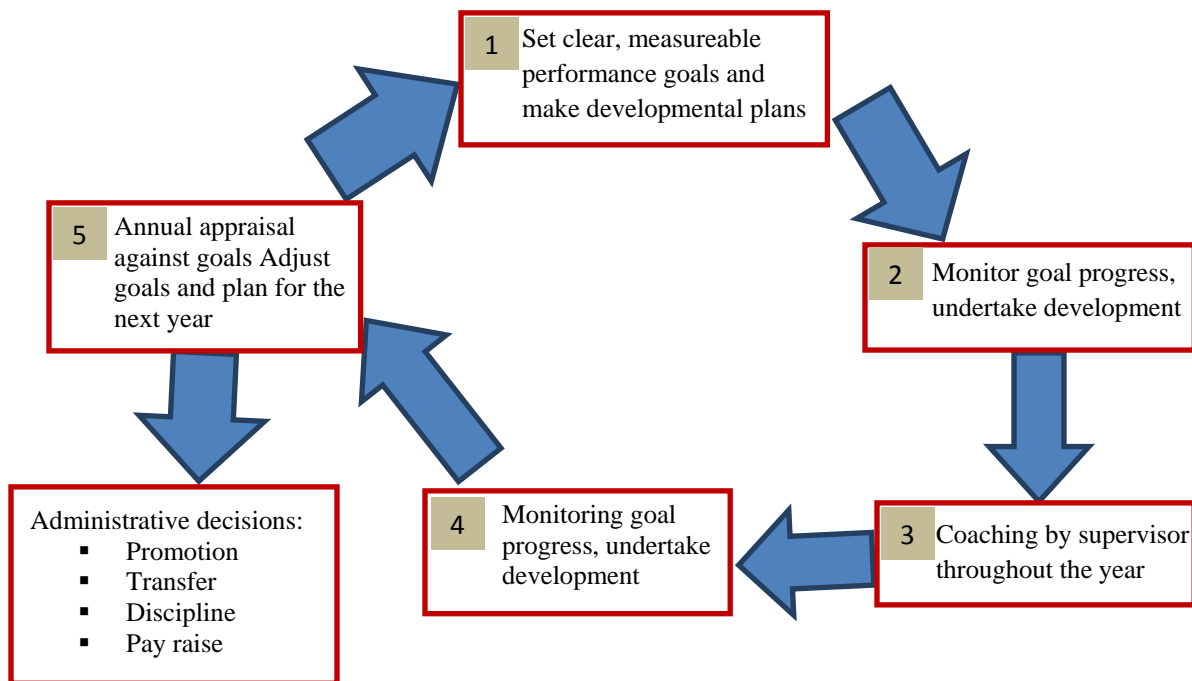


Figure 1 Performance Management Cycle (Fisher et al., (2006, p.421))

Similarly, others scholars like Smither and London (2009) by citing (Aguinis, 2009; Grote, 1996) describes the process of performance management using a model which comprise six stages. These components of this model are (1) pre-requisites,(2) performance planning, (3) performance execution, (4) performance assessment, (5) performance review, and (6) performance renewal and re-contracting.

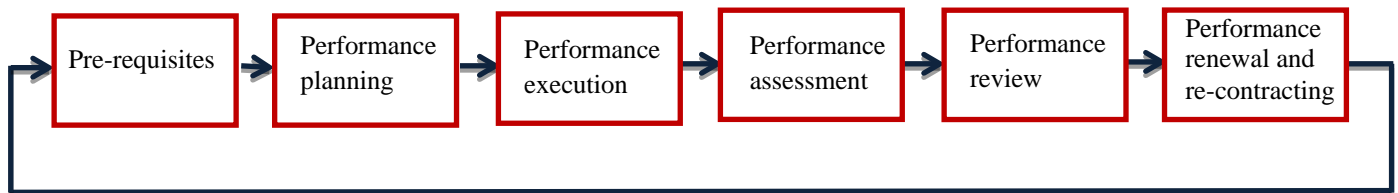


Figure 2Flow of the Performance Management Process.

Stage1: *Pre-requisites* - There are two important prerequisites that are needed before a performance management system is implemented:

- (a) Knowledge of the organization’s mission and strategic goals and
- (b) Knowledge of the job in question.

Stage 2: *Performance Planning* - The performance planning stage has the goal for employees to have a thorough knowledge of the performance management system. In fact, at the beginning of each performance cycle, the supervisor and the employee meet to discuss, and agree on, what needs to be done and how it should be done. This performance planning discussion includes a consideration of results, behaviors, and development plan.

Stage 3: *Performance Execution* - Once the review cycle begins, the employee strives to produce the results and display the behaviors agreed on earlier as well as to work on development needs. The employee has primary responsibility and ownership of this process and supervisors also have primary responsibility over the issues of observation and documentation, feedback, resources, and reinforcement.

Stage 4: *Performance Assessment* - In the assessment phase, both the employee and the manager are responsible for evaluating the extent to which the desired behaviors have been displayed, and whether the desired results have been achieved. It is important that both the employee and the manager take ownership of the assessment process.

Stage 5: *Performance Review* - The performance review stage involves the meeting between the employee and the manager to review their assessments. This meeting is usually called the appraisal meeting or discussion. The appraisal meeting is important because it provides a formal setting in which the employee receives feedback on his or her performance.

Stage 6: *Performance Renewal and Re-contracting*- The final stage in the performance process is renewal and re-contracting. Essentially, this is identical to the performance planning component. The main difference is that the renewal and re-contracting stage uses the insights and information gained from the other phases.

## **2.4. Performance Management System**

Performance management is a process of managing performance which involves activities of planning, monitoring, analyzing and reviewing. Armstrong (2009, p.58) defined a performance management system as ‘a set of interrelated activities and processes that are treated holistically as an integrated and key component of an organization’s approach to managing performance through people and developing the skills and capabilities of its human capital, thus enhancing organizational capability and the achievement of sustained competitive advantage.’

## 2.5. Purposes of Performance Management System

Organizations install performance management system in human resource management practice to be benefited from the advantages obtained from it. Bratton and Gold (2007) categorized purposes of performance management system based on the judgments to be made as control and development purposes such that:

- The making of administrative decisions concerning pay, promotions and careers, and work responsibilities-the *control purpose* and
- The improvement of performance through discussing development needs, identifying training opportunities and planning action-the *development purpose*.

However, a more elaborated explanation of performance management system was given by Cleveland and Murphy (1989), as cited by Bratton and Gold (2007), and they describe that the purpose of performance management system is not just to manage and measure performance of employee; it has strategic significance to the organization. So performance management systems can serve six important purposes:

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

4. *Developmental*: It includes feedback, which allows managers to coach employees and help them improve performance on an on-going basis.
5. *Organizational maintenance*: It yields information about skills, abilities, promotional potential, and assignment histories of current employees to be used in workforce planning as well as assessing future training needs, evaluating performance achievements at the organizational level, and evaluating the effectiveness of human resource interventions (for example, whether employees perform at higher levels after participating in a training program).
6. *Documentation*: It yields data that can be used to assess the predictive accuracy of newly proposed selection instruments as well as important administrative decisions. This information can be especially useful in the case of litigation.

## **2.6. Performance Appraisal**

Performance appraisal is that part of the performance assessment and management process in which an employee's contribution to the organization during a specified period of time is assessed. Performance feedback lets employee know how well they have performed in comparison with the standards of the organization (Fisher et al., 2006). Assessment and feedback can occur informally, as when a supervisor notices and comments on a good or poor performance incident. A more formal method is the structured annual performance review, in which a supervisor assesses each employee's performance using some official assessment procedure (2006).

Strategically, as Fisher et al., (2006, p. 424) explain that 'performance assessment and management is an important and critical part of HR system.' Organizations strive to do the following at all levels:

- Design jobs and work systems to accomplish organizational goals.
- Hire individuals with the abilities and desire to perform effectively.

- Train, motivate, and reward employees for performance and productivity.

Hence organizations use this sequence to make sure that the strategic goals are imprinted in the mind of their employees.

The evaluation of performance is also the control mechanism that provides not only feedback to individuals but also an organizational assessment of how things are progressing. Without performance information, managers and employees can only guess as to whether they are working toward the right goals, in the correct way, and to the desired standard. Performance assessment plays an important role in organizational strategy, that of ensuring strategy-consistent behavior, reinforcing the values and culture of the organization and provides the alignment of the assessment with the organizational culture.

## **2.7. Motivation**

Various researches have been conducted to search answers for employees' behavior toward their job and the way they do and perform well or poorly in the workplace. There are a number of factors that affect employees' behavior toward their job. One of the major factors is motivation, it is one of the factor that influence employee's behavior and performance. 'Motivation is not simply about working hard, it reflects the jobholder view of his/her own ability' (Robbins and Judge, 2013, p. 202). Motivation represents the forces within a person that affect his or her direction, intensity, and persistence of voluntary behavior (McShane and Von Glinow, 2008: p. 35). Motivation improves performance and assists to achieve the desired outcomes within the planned period of time. And also helps to impart the needed positive attitudes on the employee to improve their performance in order to assure organizations competitiveness. And also Robbins and Judge (2013) characterized motivation as the process that account for individual's intensity, direction, and persistence of effort toward attaining an organizational goal.

According to Beardwell et al., (2004), motivation is characterized as a certain level of willingness on the part of the employee to increase effort, to the extent that this exertion also satisfies some need or desire. At a basic level it can be seen that motivation is about 'motives' and 'needs'. Where 'motives are internal derives and can be physiological, social or based on self-esteem needs' (Rosenfield and Wilson, 1999, p.75). As Beardwell, et al., (2004) suggests the common underlying assumptions about motivations:

- An individual phenomenon - people are unique, and this means that motivation theories usually allow for uniqueness to be reflected in behavior;
- Intentional and results in behaviors that are the result of conscious choices;
- A multifaceted concept, which involves (a) factors that arouse people to action (b) choice of behavior and (c) choices about the persistence and intensity of behavior;
- Valid as a theory because it helps predict behavior by explaining what prompts the behavior of people, which means that it has very little concern with simply describing or categorizing behavior.

Beardwell et al., (2004) argues that understanding of motivation is important for multitude of reasons. Firstly, it enables organizations to 'humanize' work for employees so that work is inherently more satisfying, the assumption being that organizations have a moral obligation to make work as satisfying and enjoyable as possible. Secondly, an appropriate understanding of motivation allows organizations to make the jobs more satisfying for employees with the company. The underlying assumption is clearly that if employees are happier at work then they will be more productive. Finally, such an understanding enables management to control the behavior of subordinated more effectively and therefore enables management to 'pull the right strings' in order to secure the ability to set the organizational goals and secure their achievement.

## **2.7.1. Content and Process Theories of Motivation**

Beardwell et al., (2008) classified motivation theory as either content (needs) or a process approach to motivation. Content (needs) theory attempt to identify the factors that motivate people and they are based on the assumption that employees have needs which they seek to satisfy inside and outside of work. Content theories are concerned with the *How*. Alternatively, process theories interested in understanding the process of developing motives rather than trying to offer a static analysis of needs and they are concerned with the *Why*.

### **2.7.1.1. Content or Needs Theories of Motivation**

Most well-known content or need theories provide an indication of the different needs that employees bring to the working environment. Huczynski A. and Buchanan D. (2007) defined content theories as ‘theories of motivations that focus on the goals to which we aspire.’ Beardwell, et al., (2008) gave highlighting that managers should consider how they can create a working environment in which employees have the opportunity to satisfy their important needs.

#### **2.7.1.1.1. The Work of Frederick Taylor**

Taylor believed that the use of money as a motivator linked to various objectives would offer the best motivation for performance. Workers would be motivated by obtaining the highest possible wages through working in the most efficient manner possible-thereby satisfying the employee and the employer. Taylor’s approach to work and motivation has two underlying assumptions: firstly, that all people are rational, and secondly, that they are driven by the need for financial rewards and not interest in the actual work.

#### **2.7.1.1.2. The Hawthorne studies**

A major revision of ‘needs’ theory came from work undertaken in at Hawthorne works of the Western Electric Company. This work gave rise to a new school of

management thinking (human relations), which suggested that employees have social needs which are as important as economic needs; these studies concluded that social relationships were significant in the satisfaction of the human for social contract. The key managerial tool for motivation became: the emotional, non-rational, and sentimental aspects of human behavior in organizations, the ties and loyalties that affected workers, the social relations that could not be encompassed by the organization chart but shaped behavior regardless (Wilson, 1999). The major contribution of this work in understanding employee motivation at work has been to focus attention on the design of jobs and tasks in an effort to make them attractive and interesting.

### **2.7.1.1.3. Hierarchy of Needs Theory**

Abraham Maslow's theory consists of two key parts: the classification of needs and how these classifications are related to each other. The needs, he suggested, are classified in a hierarchy which is normally represented in the form of a pyramid with the more basic physiological needs lying at the base and each higher level consisting of a particular class of needs:

1. *Physiological*-Includes hunger, thirst, shelter, sex, and other bodily needs.
2. *Safety* - Security and protection from physical and emotional harm.
3. *Belongingness*- Affection, belongingness, acceptance, and friendship.
4. *Esteem* - Internal factors such as self-respect, autonomy, and achievement, and external factors such as status, recognition, and attention.
5. *Self-actualization* - Drive to become what we are capable of becoming; includes growth, achieving our potential, and self-fulfillment.

However, Huczynski and Buchanan (2007, p.242) claim that Abraham Maslow's content theory of motivation aims to resolve the confusion between drives (innate, biological determinants of behavior, activated by deprivation) and motives (socially acquired needs activated by desire for their fulfillment)'.  

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Hence, they argue that content theory should be represented using nine innate needs or motives. These are:

1. *Biological needs*, for sunlight, sexual expression, food, rest and oxygen, in other words needs basic to our individual and collective survival.
2. *Safety needs*, for security, comfort, tranquility, freedom from fear, and threat from the environment, for shelter, order, predictability and an organized world.
3. *Affiliation needs*, for attachment, belongingness, affection, love, relationships.
4. *Esteem needs*, for strength, confidence, achievement, self-esteem, independence, and for reputation, prestige, recognition, attention and appreciation-in other words, the need for a stable and high self-evaluation based on capability and the respect of others.
5. *The need to know and to understand*, to gain and to systematized knowledge, the need for curiosity, learning, philosophizing, experimenting and exploring.
6. *Aesthetic needs*, for order and beauty.
7. *The need for transcendence*, a spiritual need, for 'cosmic identification', or 'to be at one with the universe'.
8. *The need for freedom of enquiry and expression*, an essential prerequisite for the satisfaction of the other needs.
9. *Self-actualization needs*, for the development of our full potential.

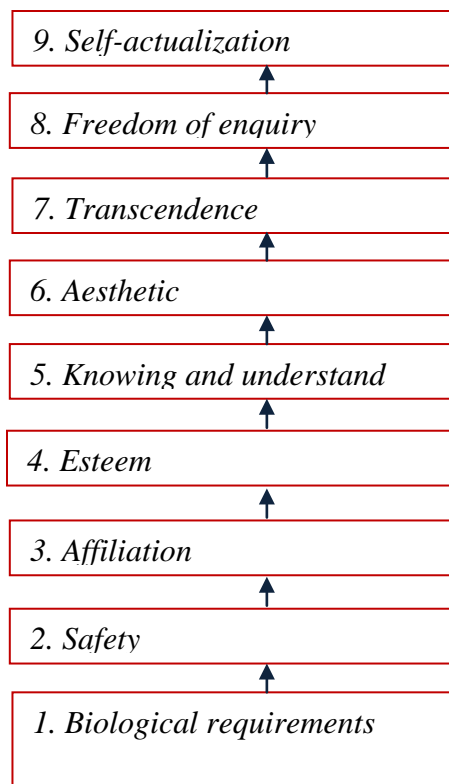


Figure 3 Abraham Maslow's needs hierarchy

Although no need is ever fully gratified, a substantially satisfied need no longer motivates. Thus, as each becomes substantially satisfied, the next one becomes dominant. So if you want to motivate someone, according to Maslow, you need to understand what level of the hierarchy that person is currently on and focus on satisfying needs at or above that level (Robbins and Judge, 2013).

Maslow's theory dramatically shifted the study of human motivation to one that is more holistic, humanistic, and positive (McShane and Von Glinow, 2008). The theory, especially in relation to performance management, has an appeal because its message is clear i.e. find out what motivates your employees at each of the levels and, more importantly still, at which level each employee is operation, and develop a reward strategy accordingly (2008, p. 136).

#### **2.7.1.1.4. ERG Theory**

Maslow's theory is influential, particularly in recognizing that behavior depends on a range of motives and continue to influence management practice in areas such as rewards policy, management style and job design. However, Huczynski and Buchanan (2007, p.244) point out that 'the vagueness which cannot

readily predict behavior and its narrow social philosophy reflecting white American middle-class expose his theory to criticisms.’

Clayton Alderfer argue that it is more realistic to consider three basic categories of needs which he called Existence, Relatedness and Growth, so this is known as the ERG theory of motivation. ERG theory says that all three need categories can be present at any one time, in contrast with Maslow’s ‘progression hypothesis’, that we can try to work our way up the hierarchy. Alderfer added a ‘regression hypothesis’, arguing that we drop to a lower category when attempts to satisfy higher needs are frustrated (Beardwell et al., 2008).

#### **2.7.1.1.5. Two-Factor Theory**

Fredrick Herzberg looked not at motivation directly but at the causes of job satisfaction and dissatisfaction in an attempt to more fully understand what motivates people at work. The two factors were:

1. *Motivators* - These were such things as ‘a sense of achievement’, ‘an opportunity for personal growth’, ‘the sense of having done a job well’, ‘having responsibility’, and ‘achieving recognition for your work’.
2. *Hygiene factors* - These included such things as pay, physical working conditions, job security, company policy, and quality of supervision and interpersonal relations.

Motivators and hygiene factors are qualitatively different and have different effects. If the objective is to remove dissatisfaction, then the organization will need to improve the hygiene factors. However, improving them beyond the level at which dissatisfaction disappears will not result in an increase in satisfaction. The only way satisfaction can be increased further is by giving more of the motivators. The converse also applies in that giving more of the motivators may not, by itself, remove dissatisfaction. For Herzberg, therefore, the opposite of satisfaction is not dissatisfaction, it is merely no satisfaction,

and equally, the opposite of dissatisfaction is not necessarily satisfaction, simply no dissatisfaction.

As Robbins and Judge (2013, p.206) explain, ‘if we want to motivate people on their jobs, Herzberg suggested emphasizing factors associated with the work itself or with outcomes directly derived from it, such as promotional opportunities, personal growth opportunities, recognition, responsibility, and achievement. These are the characteristics people find intrinsically rewarding.’

#### **2.7.1.1.6. McClelland’s Theory of Needs**

McClelland’s theory of needs was developed by David McClelland and his associates. It looks at three needs:

- *Need for achievement*- is the drive to excel, to achieve in relationship to a set of standards.
- *Need for power* - is the need to make others behave in a way they would not have otherwise.
- *Need for affiliation* - is the desire for friendly and close interpersonal relationships.

Robbins and Judge (2013) predicted some relationships between achievements need and job performance. First, when jobs have a high degree of personal responsibility and feedback and an intermediate degree of risk, high achievers are strongly motivated. Second, a high need to achieve does not necessarily make someone a good manager, especially in large organizations. People with a high achievement need are interested in how well they do personally, and not in influencing others to do well. Third, needs for affiliation and power tend to be closely related to managerial success. The best managers are high in their need for power and low in their need for affiliation. In fact, a high power motive may be a requirement for managerial effectiveness.

### **2.7.1.2. Process Theories of Motivation**

Huczynski and Buchanan (2007: p. 248) note that theories of motivation that focus on how we make choices with respect to desired goals are known as process theories. They give the individual a cognitive decision-making role in selecting goals and the means by which to pursue them. Beardwell, et al., (2008) clarifying that, these theories focus on how behavior changes occurs, or how an individual comes to acting a different way. Significant in understanding this set of theoretical constructs are the concepts of justice and fairness.

#### **2.7.1.2.1. Expectancy Theory**

Motivators, according to the content theorists, are those behaviors that are under the voluntary control of a person. Because behaviors are voluntary, expectancy theory suggests that employees look at the various alternatives and choose the alternative that they believe is most likely to lead to those rewards that desire most; simply that individuals are rational actors who follow a path of economic maximization. The fundamental concepts important to expectancy theory are that the anticipation (expectation) of what will occur influences the employee's choice of behavior.

Beardwell et al., (2004) referring to Vroom (1964) interpretation explains that motivation as a process in which employees select from a set of alternatives based upon the anticipated levels of satisfaction. He called the individual's perception of this relationship instrumentality. The first-level outcomes result from behavior associated with doing the job itself and include productivity, absenteeism, turnover, and the quality of productivity. The second-level outcomes are the events rewards or punishments that the first - level outcomes are likely to produce. And also expectancy can be effort-performance expectancy which is the employee's perception of how hard it will be to achieve a particular behavior and the probability of achieving that behavior and performance-outcome. Expectancy theory assumes that every-behavior is associated with outcomes.

### **2.7.1.2.2. Goal-setting Theory**

This approach to motivation is based on a simple premise; performance is caused by a person's intention to perform. Goal setting is the process of motivating employees and clarifying their role perceptions by establishing performance objectives. It potentially improves employee performance in two ways: (1) by stretching the intensity and persistence of effort and (2) by giving employees clearer role perceptions so that their effort is channeled toward behaviors that will improve work performance (Robbins and Judge, 2013). Goals are what a person is trying to accomplish or intends to do and, according to this theory, people will do what they are trying to do. What follows is clear, a person with higher goals will do better than a person with lower goals and if someone knows what they want to do, or is supposed to do, that person will perform better than someone whose goals or intentions are vague. These two basic ideas underlie the propositions of goal-setting theory which begins by stating that there is a general positive relationship between goal difficulty and performance. Challenging goals which generally result in improved performance compared to easy goals.

Further, the theory proposes that knowledge of results (feedback) is essential if the full performance benefits of setting more difficult goals are to be achieved. Hence feedback offered in an appropriate manner can have a motivating effect on the employee. Goal-setting theories of motivation emphasize the importance of feedback in order to:

- Increase the employee's feeling of achievement;
- Increase the sense of personal responsibility for the work;
- Reduce uncertainty; and
- Refine performance.

## 2.8. Conceptual Framework

The organization's performance management system can serve as a source of motivation since it comprises a number of factors that affect motivation of employees. Thus, upon the many factors that affect both performance management of the organization and motivation of employees, the researcher wants to develop relations between factors that described in the figure below. Based on the discussion made by Anshul Garg (2013) about performance management system as a measure of employee motivation, the illustration depicted below to study the significant effect of the independent variables on the dependent variable i.e. performance management practice (pay, recognition, working condition, career development, leadership, communication, performance evaluation, and feedback) on employee motivation.

***Independent Variables***

***Dependent variables***

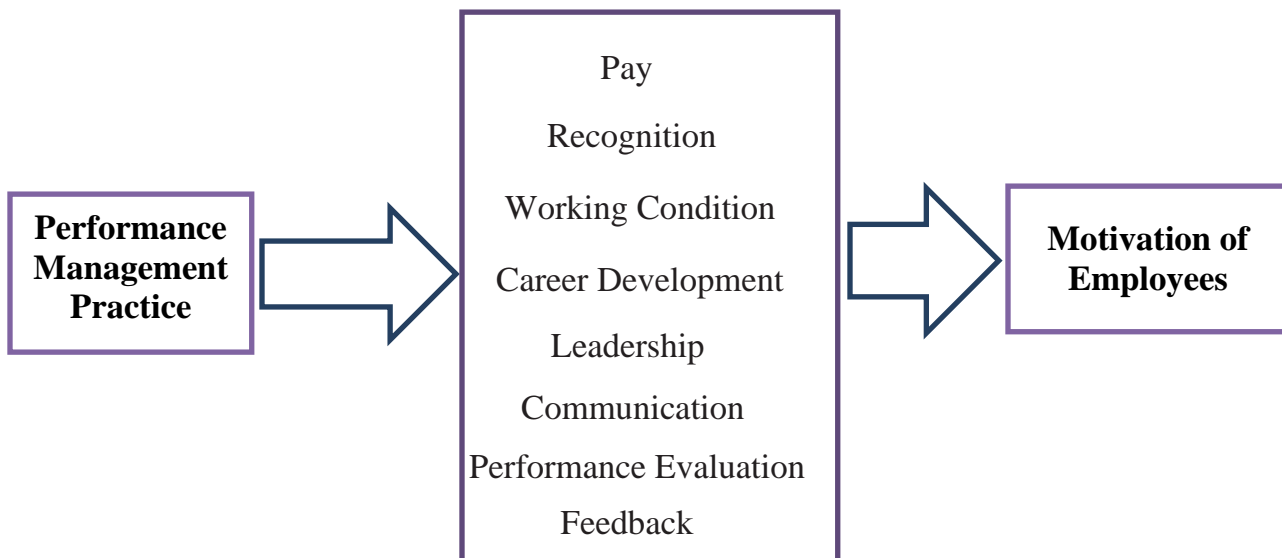


Figure 4 The researcher's conceptual framework (2015)

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1. Research Design**

To contemplate the existing situations that prevail in the company accurately and timely in an economic manner, the gathering of the necessary data to examine the performance management practice and motivation of the employees, the researcher found out that the best way is to use a descriptive research approach.

As stated by Kothari (2004) 'survey and fact-finding enquiries of different kinds are included in descriptive research. The major purpose of descriptive research is description of the state of affairs as it exists at present and concerned with describing the characteristics of a particular individual, or of a group.' Hence, to gather the benefit from this type of research, this study was conducted using descriptive research design and used a type of design called quantitative approach. And quantitative data was gathered through closed and open ended questionnaires which were analyzed and presented in tables and figures (charts) by using SPSS (Statistical Package for the Social Science).

#### **3.2. Sampling Size and Sampling Procedure**

Total number of employees employed at Dashen bank, according to the data obtained from Human Resource Management Department as of December 2014, is 3,808 out of whom 2,425 are male and 1,383 of them are female which are working in Head Office and branches that are distributed throughout the country. As the geographic area and the number employees that can be used for the study is very large, it is impossible, economically and timely, for the researcher to cover this population for this research. Accordingly, to facilitate easier in timely and cost effective way of collection of data, the target

population was reduced to employees that are working at Head Office and one Area Bank found at the Head Office. Hence, the target population for the study is comprised of 676 bank professionals who have at least one year service in the bank and at least their job performance rated twice by the supervisors.

The sample size  $n$  was determined by using the following formula:

$$n_i = \frac{Z^2(p)(1-p)}{c^2}$$

Where  $Z$  = Z value (1.96 for 95% confidence level)

$P$  = percentage picking a choice, expressed as decimal (0.5 was used for sample size needed)

$C$  = margin of error, expressed as decimal (0.05) and

$N$  = the population (676).

Therefore, for finite population, the sample size becomes

$$n = \frac{n_i}{\left(1 + \left(\frac{n_i-1}{N}\right)\right)}$$

Thus, at 95% confidence level ( $z = 1.96$ ) and at 5% confidence interval (margin of error), the sample size for this study becomes:

$$n_i = \frac{1.96^2(0.5)(1-0.5)}{0.05^2}$$

$$n_i = 384.16$$

Hence,

$$n = \frac{384.16}{\left(1 + \left(\frac{384.16-1}{676}\right)\right)}$$

$$n = 245.19 \approx 246$$

Hence, based on this calculation of the sample size for the given population was found to be 246 employees. This sample size is found to account 36.4% of the total population as indicated by the following calculation.

$$\frac{246}{664} \times 100\% = 36.4$$

Anderson *et al* (2011, p. 298) explained that in stratified random sampling, the elements in the population are first divided into groups called strata, such that each element in the population belongs to one and only one stratum. So that for this study stratified sampling technique is chosen and applied on the target population. In stratified sampling, the sampling frame is divided into homogeneous and non-overlapping subgroups (called “strata”), and a simple random sample is drawn within each subgroup (Bhattacharjee, 2012, p. 68; Kothari, 2004, P.16). As Greener (p.49) described, this sampling method was chosen for the reason that it can specify any characteristics and the sampling frame can be easily identified by these characteristics. The basis for forming the strata in this study was departments and area banks so that the target population was divided into 13 strata by assuming that the population is uniformly distributed over these strata.

The research has targeted a sample from management and non-management employees from the sampling frame. And randomly select participants from the given 13 strata in order to give equal chances for all groups of employees found in each stratum and the questionnaires have been distributed to these selected employees respectively.

Even if the population assumed to be uniformly distributed, the size of each stratum varies, then the researcher decide to choose a disproportionate stratified sample to increase the sample size of those stratum with lower number of respondents to make sure that the data are meaningful (Dawson, 2002).

Table 3.1 The population and sample distribution

<b>Stratum</b>	<b>Department</b>	<b>Number of Employee</b>	<b>%</b>	<b>Sample Size</b>
S <sub>1</sub>	Control Department	41	6.1	15
S <sub>2</sub>	Corporate Planning and Development Department	32	4.6	11
S <sub>3</sub>	Credit Department	31	4.6	11
S <sub>4</sub>	E-Banking Service Department	78	11.5	28
S <sub>5</sub>	Engineering Department	27	4.0	10
S <sub>6</sub>	Fund Management and Accounts Department	97	14.3	35
S <sub>7</sub>	Human Resource Department	44	6.5	16
S <sub>8</sub>	International Banking Department	85	12.6	31
S <sub>9</sub>	Information Department	46	6.8	17
S <sub>10</sub>	Legal Department	21	3.1	8
S <sub>11</sub>	Logistic and Property Administration Department	52	7.7	19
S <sub>12</sub>	Management Offices	40	5.9	15
S <sub>13</sub>	Area Bank	82	12.1	30
<b>Total</b>		<b>676</b>	<b>99.9</b>	<b>246</b>

*Source: the research survey, 2015*

### **3.3. Method of Data Collection, Sources and Research Instruments**

The researcher assembled the data that are needed to accomplish the proposed research through survey method. The study has been carried out using both primary and secondary data. The main source of primary data related to the current performance management practice and employees' motivation was collected from the employees of the bank.

In order to get first-hand information, survey questionnaires were prepared and distributed to the employees. Demographic variables such as sex, age group, year of experience, marital status educational status, current position of participants and department/area bank in which the respondent working were gathered through questionnaire. Furthermore, main facts about issues related with the performance management practice of the bank and employees' motivation were also collected by using questionnaire.

Secondary data was gathered from published reference materials such as books on the field and related fields, journal articles, research papers conducted on performance management system and on motivation of employees, internet and the bank's different minutes and database.

Hence, from 246 administered questionnaires, 186 were returned in time this implies that the response rate was found to be 75.6%. Table 3.2 shows the distribution of questionnaires over the assigned sampled out population and their rate of response after completion by the employees.

Table 3.2 The distributed number of questionnaires and the rate of return

<b>Stratum</b>	<b>Department</b>	<b>Distributed questionnaires (A)</b>	<b>Returned Questionnaires (B)</b>	<b>Response Rate (B/A)</b>
S <sub>1</sub>	Control Department	15	11	73.3
S <sub>2</sub>	Corporate Planning and Development Department	11	11	100.0
S <sub>3</sub>	Credit Department	11	11	100.0
S <sub>4</sub>	E-Banking Service Department	28	19	67.9
S <sub>5</sub>	Engineering Department	10	5	50.0
S <sub>6</sub>	Fund Management and Accounts Department	35	15	42.8
S <sub>7</sub>	Human Resource Department	16	16	100.0
S <sub>8</sub>	International Banking Department	31	27	87.1
S <sub>9</sub>	Information Department	17	11	64.7
S <sub>10</sub>	Legal Department	8	7	87.5
S <sub>11</sub>	Logistic and Property Administration Department	19	12	63.2
S <sub>12</sub>	Management Offices	15	9	60.0
S <sub>13</sub>	Area Bank	30	22	73.3
<b>Total Response</b>		<b>246</b>	<b>176</b>	<b>71.5</b>
<b>No Response</b>			10	4.1
<b>Total</b>		<b>246</b>	<b>186</b>	<b>75.6</b>

Source: the research survey, 2015

The main instrument utilized in this study is questionnaire. The questionnaire designed to have three parts. The first part devoted to the demographic characteristics of the participants, which consists such items like sex, age group, educational status, number of years serving in this bank, marital status, current position, department/area bank in which the participant working.

The second and third parts dedicated to gather information related to the research questions. 26 particular items were developed for the second part, performance management, based on a five-point Likertscale such that participants were requested to select their level of agreement, where 5 represents 'Strongly Agree', 4-'Agree', 3-'Neutral', 2-'Disagree' and 1-'Strongly Disagree', on the given item. These 26 items again sub divided into six sections to facilitate the assessment of the bank's performance management practice. The sections are arranged under headings of performance prerequisite, performance planning, performance assessment, performance review, perception on the performance evaluation system and purpose and effects of performance evaluation process.

The third part gave emphasis for obtaining important information on employee motivation. 16 items were provided to participants in order to capture their reactions and these items subjected to a five point Likert scale where participants requested to choose i.e. 5 - 'very high importance for motivation', 4 - 'high importance for motivation', 3 - 'neutral', 2 - 'not important for motivation' and 1 - 'not very important for motivation'. Moreover, the 16 items are further divided into eight sections where each section represents motivational dimensions: pay, recognition, working condition, leadership, career development, performance evaluation, communication and feedback. Additionally, to gather further information about the bank's motivational scheme, five self-developed open ended question were provided to the participants to give opportunity for expression of their personal view on the third part of the questionnaire.

## **3.4. Validity and Reliability**

### **3.4.1. Validity**

To make sure the research's validity, the research used reliable sources such as published books and recent articles written by highly praised authors in the performance management and motivation field. The bank's performance management practice assessed based on questionnaire which is adopted from a toolkit develop by Armstrong (2009a, p. 331), Hume (2000, p. 6) and Armstrong (2009b, p, 1021). In addition, the motivation part of the questionnaire adopted from Armstrong (2006, p. 909). Then, the questionnaire was presented in a suitable manner by making minor modification to be applicable on the current scenario.

To further refine the accuracy of the instrument, fifteen questionnaires were administered to selected colleagues and the bank's HR professionals and they reviewed it and provide their opinion on the questionnaire. In addition, the research advisor also provided invaluable comments on the questionnaire.

### **3.4.2. Reliability**

Reliability is assessment of the extent to which a question, instrument or measure gives safe results. Cronbach's alpha is a measure of reliability which assesses the extent to which a group of questions are asking for the same basic underlying information (Gorard, 2004). Therefore, the research conducted the Cronbach's alpha reliability test and it is found that:

The performance management part of the questionnaire is found to be 83.7% reliable and the employee motivation part of the questionnaire is also 92.6% reliable as shown in table 3.3 below.

Table 3.3 Reliability statistics for Performance Management and Employee Motivation.

	<b>Cronbach's Alpha</b>	<b>N of Items</b>
<i>Performance pre-requisites</i>	0.713	3
<i>Performance planning</i>	0.813	3
<i>Performance Assessment</i>	0.873	5
<i>Performance Review</i>	0.715	4
<i>Perception on the Performance Evaluation System</i>	0.585	6
<i>Purpose and effects of Performance Evaluation Process</i>	0.360	5
<b>Performance Management practice</b>	<b>0.837</b>	<b>26</b>
<b>Employee Motivation</b>	<b>0.926</b>	<b>16</b>

Source: the research survey, 2015

### 3.5. Data Analysis Technique

After collecting the essential information from the respondents, the gathered data was analyzed by using quantitative analysis method. For scrutinizing the data, mainly quantitative analysis of which descriptive method was used. As Marczyk et al. (2005) describes, descriptive statistics allowed the researcher to describe the data and examine relationships between variables. After then, the data obtained from questionnaire was coded, processed and analyzed using suitable statistical software called SPSS. For the demographic characteristics and performance management practice parts, frequencies, arithmetic mean, standard deviation and percentage were computed to generate the required result. In addition, for employee motivation part, the researcher use Pearson product moment correlationcoefficient, regression analysis, one way independent t-test and analysis of variance (ANOVA)were applied to determine the relationship between the dependent (motivation) and eight independent variables. The output was presented using tables and figures followed by interpretations.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

Empirical analysis of descriptive statistics on the variables under consideration is presented here under. Presentation and analysis of the data was conducted by statistical program called Statistical Package for the Social Science (SPSS).

#### 4.1. Demographic characteristics of the respondents

Table 4.1 Demographic characteristics of respondents

		Frequency	%	Valid %	Cumulative %
<b>Gender</b>	Male	140	75.3	75.3	75.3
	Female	46	24.7	24.7	100.0
	<b>Total</b>	<b>186</b>	<b>100.0</b>	<b>100.0</b>	
<b>Marital Status</b>	Single	130	69.9	69.9	69.9
	Married	56	30.1	30.1	100.0
	<b>Total</b>	<b>186</b>	<b>100.0</b>	<b>100.0</b>	
<b>Age Group</b>	<20	2	1.1	1.1	1.1
	20-29	130	69.9	70.3	71.4
	30-39	51	27.4	27.6	98.9
	40-49	2	1.1	1.1	100.0
	No Response	1	0.5		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
<b>Educational Status</b>	College Diploma	14	7.5	7.5	7.5
	First Degree	157	84.4	84.4	91.9
	Second Degree	15	8.1	8.1	100.0
	<b>Total</b>	<b>186</b>	<b>100.0</b>	<b>100.0</b>	
<b>Number of years serving for the bank</b>	<2	71	38.2	38.2	38.2
	2-5	78	41.9	41.9	80.1
	5-10	29	15.6	15.6	95.7
	11-15	4	2.2	2.2	97.8
	>15	4	2.2	2.2	100.0
	<b>Total</b>	<b>186</b>	<b>100.0</b>	<b>100.0</b>	

<b>Current position of employees</b>	Clerical	121	65.1	67.6	67.6
	Middle Level Management	19	10.2	10.6	78.2
	Non Clerical	39	21.0	21.8	100.0
	No Response	7	3.8		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		

*Source: the research survey, 2015*

As shown above in table 4.1, the number of male respondents are 140(75.3%) whereas 46(24.7%) of them were female. With regard to marital status of the respondents, the survey obtained that 130(69.9%) of them are not married whereas the remaining 56(30.1%) are married employees who participated in this research. The data reveals that the majority of the respondents are composed of age group 20-29 years that accounted to 130(69.9%). And also fair share of respondents, i.e. 51(27.4%) are come from the age group that falls between 30-39 years.

The data obtained on qualification of the participants reveal that 157(84.4%) of the participants holds first degree while the number of second degree holders is accounted for only 15(8.1%) of the total response and the remaining 14(7.5%) are holders of college diploma. Regarding the years of work experience of the respondents, it is found that 71(38.2%) have work experience less than two years, comparable to this number 78(41.9%) of them claim to have years of service between 2 and 5 years and 29(16%) of them also have service year that that fall in between 5 and 10 years. The respondents' current position in the bank as described in the above table, the composition of respondents is found to be 121(65.1%), 39(21.0%) and 19(10.2%) are found to be Clerical level position, Non-clerical and Middle level Management position holders, respectively.

## **4.2. Performance Management Practice of the Bank**

### **4.2.1. Performance Pre-requisites**

This section designed to have three questions (particulars) that intended to probe whether there exist clarity regarding the bank's mission and strategies

and the status of clarity of what each employee needs to do and achieve to help the organization get there.

Table 4.2 Performance Pre-Requisites

Particular	Level of Agreement	Frequency	%	Mean	Std. Deviation
1. I clearly know the bank's vision, mission and strategic goals	Disagree	2	1.1	4.39	0.69
	Neutral	16	8.6		
	Agree	76	40.9		
	Strongly Agree	92	49.5		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
2. My objectives support the bank's mission, strategic goals and objectives	Disagree	5	2.7	4.25	0.756
	Neutral	20	10.8		
	Agree	83	44.6		
	Strongly Agree	77	41.4		
	No Response	1	0.5		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
3. I am clear with my duties and job responsibilities.	Strongly Disagree	3	1.6	4.36	0.880
	Disagree	7	3.8		
	Neutral	11	5.9		
	Agree	64	34.4		
	Strongly Agree	100	53.8		
	No Response	1	0.5		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		

Source: the research survey, 2015

As shown in Table 4.2, the bank's vision, mission and strategic goals are known by the majority of the respondents that 90.4% of the respondents confirmed that they know the bank's vision, mission and goals, out of which 49.5% are strongly agreed and it is also evident from the mean value  $4.39 > 3$ . From the total responded employees, 41.4% are strongly and 44.6% are modestly agreeing with that their objectives support the bank's mission, strategic goals and objectives, whereas 10.8% are in dilemma to agree or disagree with the statement. From this result, it can be said that most of employees' objective reinforces the bank's mission, objectives and goals. Adding to the above, a significant number, i.e. 164(88.2%), of respondents have strongly agreed that they possess a clear knowledge about their duties and job responsibilities.

It is found that the mean value of 4.34 with standard deviation 0.626 which implies on average higher number of the participants of this study have a good knowledge about the bank's vision, mission and strategic goals and his/her duties and responsibilities.

#### 4.2.2. Performance Planning

In this section, particulars designed to examine the nature of alignment of employees' objectives with the bank's overall objectives and their degree of participation in goal setting process as well as in the establishment of criteria and expectations for measuring employees' performance.

Table 4.3 Performance planning

Particulars	Level of Agreement	Frequency	%	Mean	Std. Deviation
1. The bank's strategic goals are aligned with my personal objectives.	Strongly Disagree	8	4.3	3.69	1.035
	Disagree	14	7.5		
	Neutral	44	23.7		
	Agree	77	41.4		
	Strongly Agree	40	21.5		
	No Response	3	1.6		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
2. I have supervisor who give me a chance to participate in setting job goals, objectives and measurement standards	Strongly Disagree	15	8.1	3.34	1.173
	Disagree	29	15.6		
	Neutral	52	28.0		
	Agree	57	30.6		
	Strongly Agree	32	17.2		
	No Response	1	0.5		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
3. The standards that are used to evaluate my job are clearly explained to me by supervisors	Strongly Disagree	16	8.6	3.22	1.168
	Disagree	36	19.4		
	Neutral	48	25.8		
	Agree	59	31.7		
	Strongly Agree	25	13.4		
	No Response	2	1.1		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		

Source: the research survey, 2015

As per table 4.3, higher number, 117 (81.9%), of the respondents agree with that bank's goals are aligned with their personal goal. Whereas, 22 (11.8%) of the participant disagree believing in the non-existence of alignment between

their personal objectives with the bank's. Adding to this, 44 (23.7%) replied that they are not sure about the alignment of their objectives with the bank's. Even if the mean score (3.69>3) is slightly greater than the average, the relatively higher number of response categorized in either disagree or neutral which shows that these individuals lack thorough knowledge of the bank's objectives in order to make the decision.

The table also indicates that 89(47.8%) of the respondents are agree that they jointly set job goals and draw objectives and measurement standards together with their supervisors. However, 44(23.7%) have disagreed because they have not got the opportunity to participate in the discussion and the other 52(28%) responses are neither acknowledge their participation nor show their disagreement with the issue. Even if the mean score shows more than average (3.34), it can be seen that there is a gap in planning process so that supervisors are not keen to advocate the participation of employees in goal setting, objective and measurement standards.

Regarding supervisors' clarification of measurement standards that are used to evaluate job performance to employee, 84(45.1%) of them believe that measurement standards are clearly disclosed. However, neutral responses accounted to 48(25.8%) and 52(27%) of them oppose the idea of clarification of the established criteria and expectations for employee by supervisors.

The mean and standard deviation for performance planning is found to be 3.41 and 0.967. This result shows that participants who agree on the existence of performance planning and incorporates those points that are cited in the questionnaire are not that much have difference to those who disagree and neutral.

### **4.2.3. Performance Assessment**

The items included in this section administered to get some notion whether supervisors and employees take the necessary steps to evaluate the extent to

which employees' demonstration of the desired behaviors and whether the desired results have been achieved.

Table 4.4 Performance assessment

Particulars	Level of Agreement	Frequency	%	Mean	Std. Deviation
1. My performance has fairly measured based on the agreement I made with my superiors at the beginning of my assignment	Strongly Disagree	21	11.3	3.23	1.243
	Disagree	32	17.2		
	Neutral	47	25.3		
	Agree	54	29.0		
	Strongly Agree	31	16.7		
	No Response	1	0.5		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
2. The evaluation process in the bank is fair, objective and reasonable.	Strongly Disagree	17	9.1	3.10	1.144
	Disagree	43	23.1		
	Neutral	50	26.9		
	Agree	57	30.6		
	Strongly Agree	19	10.2		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
3. The evaluation is done on the basis of pre-established performance standards.	Strongly Disagree	14	7.5	3.36	1.143
	Disagree	27	14.5		
	Neutral	53	28.5		
	Agree	61	32.8		
	Strongly Agree	30	16.1		
	No Response	1	0.5		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
4. Performance evaluation of the bank is transparent.	Strongly Disagree	18	9.7	3.09	1.155
	Disagree	41	22.0		
	Neutral	52	28.0		
	Agree	54	29.0		
	Strongly Agree	20	10.8		
	No Response	1	0.5		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
5. Superiors, peers, and customers participate in evaluation process	Strongly Disagree	52	28.0	2.44	1.179
	Disagree	42	22.6		
	Neutral	53	28.5		
	Agree	28	15.1		
	Strongly Agree	8	4.3		
	No Response	3	1.6		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		

Source: the research survey, 2015

Analysis of the result of the survey reveals that 85(45.7%) of respondents of which 31 of them strongly agree that their performance has been measured fairly. Whereas 28% of the respondents accounted to a group that believe the bank does not implement fair performance measurement system which adds in their consent and inputs for the given assignments. Adding to the above, 25% of respondents are uncertain measurement of performance. Table 4.4 also depicted that 40.8% of the respondents (10.2% strongly) accept that the evaluation process conducted by the bank is fair, objective and reasonable. But 26.9% of the participants remain indeterminate about this issue. By contrast 32.2% of respondents disagree that about the fairness, objectivity and reasonableness of the evaluation process.

As per of the above table, the number of respondents that show their agreement with the statement of the evaluation is done on the basis of pre-established performance standards are 48.9% of which 16.1% of respondents strongly back the statement. However, the other 22.0% express their disagreement for the given issue. And the remaining 28.5% remain undecided on the issue. Despite the fact that 74(39.8%) respondents are agreeing with that existence of a transparent performance evaluation process in the bank, 59(31.7%) are opposed this idea. And the remaining 52(28.0%) of the participants choose to be neutral. With regard to the multiple rater participation in the evaluation process, 36(19%) of the respondents agree with the inclusion of multiple rater in the evaluation process. However, 74(39.8%) of respondents out of which 28.0% strongly are disagree believing in that the evaluation process conducted only by their superior. Furthermore, a higher number of respondents 53(28.5%) are not halfway between the two sides. As the mean score ( $2.44 < 3$ ) indicates that the evaluation process of the bank follow a single rater system.

#### **4.2.4. Performance Review**

This section was prepared with the aim to find out how the performance review is conducted, the magnitude of employees' active involvement in appraisal

discussion and the nature of feedback that employees receive on their performance.

Table 4.5 The performance review

Particular	Level of Agreement	Frequency	%	Mean	Std. Deviation
1. I assess my own performance before performance review discussions.	Strongly Disagree	27	14.5	3.01	1.268
	Disagree	39	21.0		
	Neutral	47	25.3		
	Agree	44	23.7		
	Strongly Agree	25	13.4		
	No Response	4	2.2		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
2. Superiors provide me a continuous feedback and guidance throughout the year.	Strongly Disagree	15	8.1	3.11	1.145
	Disagree	45	24.2		
	Neutral	47	25.3		
	Agree	56	30.1		
	Strongly Agree	20	10.8		
	No Response	3	1.6		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
3. There is a two way communications with my superiors during performance review discussion.	Strongly Disagree	24	12.9	3.02	1.227
	Disagree	39	21.0		
	Neutral	53	28.5		
	Agree	43	23.1		
	Strongly Agree	24	12.9		
	No Response	3	1.6		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
4. There is an appeal process if I don't agree how I am evaluated.	Strongly Disagree	17	9.1	3.25	1.153
	Disagree	29	15.6		
	Neutral	46	24.7		
	Agree	65	34.9		
	Strongly Agree	21	11.3		
	No Response	8	4.3		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		

Source: the research survey, 2015

Participants were requested to show their agreement level whether own performance assessment has been conducted by the employee him/herself, as shown on table 4.5, 66(35.5%) respondents react with their disagreement reflecting that the bank has not introduce own assessment in its system. However, 69(37.7%) of the participants are in agreement with the raised issue and 47(25.3%) participants are not sure so that they remain neutral. The

responses of participants for the issue of continuous deliberation of feedback and guidance by supervisors show that 60(32.3%) of them responded by disagreeing and 47(25.3%) become undecided about the issue. However, 76(40.9%) of the respondents (10.8% strongly) agree with that superiors provide a continuous feedback and guidance.

Additionally 67(36.0%) are show their agreement about the establishment of two way channels during performance review sessions. As oppose with this, 68(33.9%)disagreed with that there exist two way communications during performance review discussions with their supervisors. Adding to this, 53(28.5%) are choose to be neutral. The last point raised in this section is that the existence of an appeal process if there is no agreement during employee evaluation process. As exhibited in the above table, 17(24.7%) of participants reacted in disagreement. Conversely, 80(46.2%) of respondents (of which 21 of them strongly) are certain on the existence of appeal process. The other 46(24.7%) are not made up of their mind and choose to be neutral.

For questions that are provided to assess the nature of performance review, a slightly higher number of respondents show their agreement on the existence of performance review discussion, provision of continuous feedback and guidance, the existence of two way communication and appeal process which is reflected by the result of the mean obtained for this part, i.e. 3.09 and standard deviation of 0.886.

#### **4.2.5. Perception on the Performance Evaluation System**

The impression and perception of employees on the performance evaluation system of the bank is the focus of interest in this section since it help to determine the magnitude of employees' satisfaction and their commitment toward the proper implementation of performance management.

Table 4.6 Perception on the Performance Evaluation System

Particular	Level of Agreement	Frequency	%	Mean	Std. Deviation
1. In the performance appraisal form, job related contents are fairly included.	Strongly Disagree	15	8.1	3.30	1.144
	Disagree	32	17.2		
	Neutral	45	24.2		
	Agree	69	37.1		
	Strongly Agree	24	12.9		
	No Response	1	0.5		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
2. I believe the performance evaluation report reveals my true performance.	Strongly Disagree	20	10.8	2.95	1.100
	Disagree	44	23.7		
	Neutral	58	31.2		
	Agree	50	26.9		
	Strongly Agree	12	6.5		
	No Response	2	1.1		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
3. The bank performance evaluation system is reliable.	Strongly Disagree	17	9.1	3.02	1.126
	Disagree	43	23.1		
	Neutral	58	31.2		
	Agree	44	23.7		
	Strongly Agree	18	9.7		
	No Response	6	3.2		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
4. The employee may not be entitled for additional pay even he/she gets the highest performance evaluation score.	Strongly Disagree	23	12.4	3.19	1.268
	Disagree	31	16.7		
	Neutral	51	27.4		
	Agree	46	24.7		
	Strongly Agree	33	17.7		
	No Response	2	1.1		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
5. Performance is measured based on complying rules not outcomes of individuals.	Strongly Disagree	10	5.4	3.30	1.060
	Disagree	30	16.1		
	Neutral	58	31.2		
	Agree	61	32.8		
	Strongly Agree	22	11.8		
	No Response	5	2.7		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
6. Performance evaluation of the bank	Strongly Disagree	22	11.8	3.03	1.169

is source of conflict between subordinates and supervisors.	Disagree	34	18.3		
	Neutral	61	32.8		
	Agree	44	23.7		
	Strongly Agree	20	10.8		
	No Response	5	2.7		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		

*Source: the research survey, 2015*

As shown in table 4.6, 50.0% of participants of the survey agreed that job related contents are fairly included in the performance appraisal form. However, 25.3% of them disagree with the issue. About 24.2% of respondents are not sure whether the rational inclusion of job related content in appraisal form. On the issue whether they believe or not that the performance evaluation report reveals the true performance they have exerted while doing their job, 31.2% of the respondents are reserve themselves to be neutral and 34.5% responded by disagreeing with it. Yet, 33.4% of them agree with that the report reflects their true performance. From the mean ( $2.95 < 3$ ) it can be seen that more than half of the response reject the claim that performance evaluation measures actual performance employees.

The result obtained for the reliability of the bank's performance evaluation reveals that response related to agree accounted to 33.4%. On the contrary, 34.2% of the participant disagreed by showing they distrustfulness toward the performance evaluation system. Counting to the above responses, 31.2% of them prefer to be neutral. Further, the survey results show that a significant number of participants (29.1%) provide their negative responses by considering employees are not entitled for additional pay when they score highest points in their evaluation. The others 27.4% of the respondents are not decided about the issue and remain to be neutral. The remaining 42.4% responses are those participants who considered that employees privileged with additional pay when they scored highest point in their performance evaluation.

The table also illustrates that out of total participants 44.6% agreed on that the measurement of individual performance in the bank is by complying rules instead of outcomes. Whereas, 21.5% of participants are reject the raised issue.

And a good number of respondents, i.e.31.2% are in doubt about their position on the issue. Moreover, reactions obtained concerning performance evaluation end result, i.e. whether or not it is source of conflict, 34.5% of reactions supports the idea that performance evaluation of the bank is a source of conflict between employees and supervisors. While 30.1% disagree with the idea. The other 32.8% are indifferent about this issue.

The respondents’ reaction on their perception of the performance evaluation system reveals mean of 3.12 with standard deviation of 0.655. From this result, it can be seen that slightly higher numbers of participants believe that the system includes job related contents, reliable and shows their true performance. They are disagreeing on that even if highest score is obtained, additional pay will not obtained and instead of considering outcomes of individual, it focused on complying rule.

#### 4.2.6. Purpose of Performance Evaluation Process

In this section designed in order to capture participants’ reactions on how the bank is using the existing performance evaluation system and what impact does it bring on the performance of each employee.

Table 4.7 Purpose and effects of Performance Evaluation Process

Particular	Level of Agreement	Frequency	%	Mean	Std. Deviation
1. The performance appraisal process communicates performance expectations of the bank in each level.	Strongly Disagree	12	6.5	3.20	1.043
	Disagree	32	17.2		
	Neutral	62	33.3		
	Agree	60	32.3		
	Strongly Agree	16	8.6		
	No Response	4	2.2		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
2. The performance appraisal system applies similar format and technique to evaluate all jobs in similar grades and	Strongly Disagree	9	4.8	3.66	1.136
	Disagree	22	11.8		
	Neutral	41	22.0		
	Agree	64	34.4		
	Strongly Agree	49	26.3		
	No Response	1	0.5		

levels.	<b>Total</b>	<b>186</b>	<b>100.0</b>		
3. The performance result I received has helped me to improve my performance.	Strongly Disagree	19	10.2	3.28	1.233
	Disagree	30	16.1		
	Neutral	44	23.7		
	Agree	56	30.1		
	Strongly Agree	31	16.7		
	No Response	6	3.2		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
4. Performance results provides basis for pay decisions and promotion in the bank.	Strongly Disagree	26	14.0	2.96	1.226
	Disagree	43	23.1		
	Neutral	47	25.3		
	Agree	47	25.3		
	Strongly Agree	20	10.8		
	No Response	3	1.6		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		
5. I think the current performance appraisal system is a waste of time and used only for formalities.	Strongly Disagree	22	11.8	3.16	1.336
	Disagree	44	23.7		
	Neutral	39	21.0		
	Agree	38	20.4		
	Strongly Agree	40	21.5		
	No Response	3	1.6		
	<b>Total</b>	<b>186</b>	<b>100.0</b>		

*Source: the research survey, 2015*

As per table 4.7, 76(40.9%) of partakers in the survey demonstrate their positive response for the point that performance appraisal process of the bank communicates performance expectations in each level and 44(23.7%) offered their negative responses. The proportions of those respondents who are not decided are accounted to 33.3%. For the second item on the table, more than average number of respondent (60.7%of which 26.3% strongly) agreed to that similar format and techniques applied to evaluate all jobs in similar grades and levels. But 16.6% of the participants show their disagreement with the issue. And the other 22.0% wanted to refrain themselves from providing their decision.

Issue regarding to performance improvement obtained as a result of the provision of performance result responded in a positive way by 46.8% of participants. However, 26.3% responded negatively by standing on the idea

that the performance result they received had not helped them to improve their performance. The remaining 23.7% are decided to be neutral on the issue.

As displayed on similar table above, higher numbers of respondents, 25.3% take neutral position and 37.1% participants prefer to disagree with the statement that performance results provides basis for pay decisions and promotion in the bank, the other 37.1% agree with the raised issue. Moreover, the numbers of participants who agree with the issue relating to the current nature of the performance appraisal system that it could be considered as waste of time and used only for formalities are accounted to 41.9%. However, 45.5% of the respondents show their opposition to the raised issue. The remaining 21.0% are not sure themselves about whether to consider it as waste of time or not.

As the mean 3.25 and standard deviation 0.639 reflect more than average respondents agree on the purpose of the performance evaluation process that exists in the bank. They believe that performance expectations are communicated by the appraisal process, similar format is applied for all jobs in similar grade and levels, and it helps them to improve their performance and provides the basis for decision and promotion.

Comparing this result with the result obtained by Hayalu Sileshi (2013) who conducted research on Ethiopian Insurance Corporation, both study showed that the contribution of the performance evaluation process for employee motivation very low and employees are not motivated by this process. In addition, similar result was obtained in both studies regarding the performance evaluation format and technique to evaluate job grades and for all job grades similar evaluation instrument was used in both companies.

### **4.3. Employees' Motivation**

This is the third part of the questionnaire and to find out participants' reaction on the importance and effect of variables that are part and parcel of

performance management practice on motivation, hence motivational factors i.e. pay, recognition, working condition, leadership, career development, performance evaluation, communication and feedback are provided for and based on their reactions the following analysis presented here under.

### 4.3.1. Descriptive Statistics

Descriptive statistics is computed in the form of means and standard deviation for the independent variables in order to observe the difference exist between the variables and also help us to summarize the response of participants.

Table 4.8 Descriptive statistics of employee motivation.

<b>Variable</b>	<b>Mean</b>	<b>Std. Deviation</b>
Pay	3.39	1.019
Leadership	3.28	0.985
Communication	3.27	1.209
Feedback	3.25	1.165
WorkingCondition	3.20	1.105
Recognition	3.15	1.119
Career Development	3.15	1.217
Performance Evaluation	2.90	1.105
PerformanceManagement	3.40	0.670
Motivation	3.20	0.820

*Source: the research survey, 2015*

As shown on table 4.8, the mean values of the variables ranges from 2.90 up to 3.40. The arithmetic mean and the standard deviation of pay variable 3.39 and 0.670, respectively show that the relative higher than the average participants motivated by the amount of payment they receive from the bank and they also consider it as one of important input to increase performance. The measures of the mean value and standard deviation of recognition is found to be 3.15 and 1.119, which show that the recognition provided from their superiors is slightly

motivate them, in the same way, the participants' attitude toward the working condition is also the same, which employee are slightly motivated by it.

The other variable leadership, mean of 3.28 and standard deviation of 0.985 shows that the type of leadership exist in the bank slightly make them to be motivated and increase their performance and the career path that is found in this bank is also play an important role for their motivation as can be seen from the mean value of 3.15 and standard deviation of 1.217.

With respect of communication, mean 3.27 and standard deviation 1.209, the presence of honest and direct communication create a positive effect on the motivation of the participants and also feedback, with mean 3.25 and standard deviation 1.165, indicated that employees are happy with the feedback they received from superiors. However, the performance evaluation of the bank is not designed to provide the necessary motivation to employees as it has a mean of 2.90 and standard deviation of 1.105.

Participants presented an open ended question which requested to list the motivational factors which motivate them to exert more effort on their work and the majority of the participants responded by describing that fair and competitive pay, good working condition, recognition, acknowledgments, clear and transparent promotion practices which are non-discriminatory, different training programs, positive relation with supervisors, continuous feedback and fair evaluation are the factors that make them to be motivated.

Moreover, they were also asked to provide answer for motivational factors that play important role in the execution of their job and the majority of them say that the reward system, recognition, promotion, good leadership and the working conditions are the motivational factor/elements that play important role in the execution of the assigned job.

### **4.3.2. Correlation of the variables**

As presented in table 4.9, the Pearson's Product Moment Correlation Coefficient was applied in order to examine the relationship exist between the variables, pay, recognition, working condition, leadership, career development, performance evaluation, communication and feedback. It is found that all variables are correlated positively and there is a significant relationship between the variables and employee motivation.

Table 4.9 Pearson Correlation between variables.

	<b>Pay</b>	<b>Recognition</b>	<b>Working Condition</b>	<b>Leadership</b>	<b>Career Development</b>	<b>Performance Evaluation</b>	<b>Communication</b>	<b>Feedback</b>	<b>Motivation</b>	<b>Performance Management</b>
Pay	1.00	0.490**	0.479**	0.432**	0.498**	0.295**	0.342**	0.331**	0.617**	0.298**
Recognition	0.490**	1.00	0.563**	0.539**	0.284**	0.520**	0.504**	0.514**	0.717**	0.573**
Working condition	0.479**	0.563**	1.00	0.565**	0.365**	0.367**	0.457**	0.394**	0.673**	0.394**
Leadership	0.432**	0.539**	0.565**	1.00	0.473**	0.470**	0.564**	0.646**	0.744**	0.392**
Career Development	0.498**	0.284**	0.365**	0.473**	1.00	0.377**	0.312**	0.283**	0.588**	0.158*
Performance Evaluation	0.295**	0.520**	0.367**	0.470**	0.377**	1.00	0.586**	0.601**	0.685**	0.565**
Communication	0.342**	0.504**	0.457**	0.564**	0.312**	0.586**	1.00	0.771**	0.663**	0.509**
Feedback	0.331**	0.514**	0.394**	0.646**	0.283**	0.601**	0.771**	1.00	0.688**	0.511**
Motivation	0.617**	0.717**	0.673**	0.744**	0.588**	0.685**	0.663**	0.688**	1.00	0.543**
Performance Management	0.298**	0.573**	0.394**	0.392**	0.158*	0.565**	0.509**	0.511**	0.543**	1.00

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\* . Correlation is significant at the 0.01 level (2-tailed).

*Source: the research survey, 2015*

Based on the result tabulated on the above table, motivation and all variables (pay, recognition, working condition, career development, leadership, communication, performance evaluation and feedback) have a statistically significant linear relationship ( $p < 0.001$ ). And the direction of the relationship is positive which implied that pay is positively correlated with motivation, ( $r = 0.617$ ,  $p < 0.01$ ), which shows that the increment or decrement of payment will have a corresponding effect on the motivation of employees. In similar way, the increase or decrease of the other variables recognition ( $r = 0.717$ ,  $p < 0.001$ ), working condition ( $r = 0.673$ ,  $p < 0.001$ ), leadership ( $r = 0.744$ ,  $p < 0.001$ ), career development ( $r = 0.588$ ,  $p < 0.001$ ), performance evaluation ( $r = 0.685$ ,  $p < 0.001$ ), communication ( $r = 0.663$ ,  $p < 0.001$ ) and feedback ( $r = 0.688$ ,  $p < 0.001$ ) will have bring a corresponding change on the employees' motivation even if the degree of effect vary for each variables. As can be seen the above table, the magnitude the strength of the association is large for all variables since  $0.543 < r < 0.744$ .

In addition, the performance management practice also have positively related with the motivation which points that as the performance management practice of the bank improves by implementing the appropriate system, the employee motivation will rise up as the correlation table indicated by ( $r = 0.543$ ,  $p < 0.001$ ).

### **4.3.3. Regression Analysis**

As table 4.10 summarize the output obtained from multiple linear regression analysis by SPSS. Since, there is a variation in the magnitude impact that each predictor have on the dependent variable(motivation), their weight must be taken into account when they are used as basis of prediction. And the independent variables used in this study are assessed using linear simple regression analysis to ascertain their extent to which they explain the dependent variable. Hence, the results obtained by this study indicate that there is a direct positive relationship between selected motivational factors and employee motivation.

Table 4.10 Regression analyses of employee motivation and pay, recognition, leadership, working condition, career development, communication, performance evaluation and feedback.

a. Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
0.923 <sup>a</sup>	0.851	0.845	0.357	126.673	0.000 <sup>b</sup>

Source: the research survey, 2015

a Predictors: (Constant), Feedback, Career Development, Working Condition, Pay, Recognition, Performance Evaluation, Leadership, Communication

b. Coefficients <sup>a</sup>

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-0.046	0.111		-0.415	0.679
Pay	0.143	0.034	0.162	4.248	0.000
Recognition	0.163	0.034	0.201	4.840	0.000
Working condition	0.153	0.030	0.198	5.128	0.000
Leadership	0.075	0.029	0.099	2.571	0.011
CareerDevelopment	0.139	0.025	0.200	5.545	0.000
Performance Evaluation	0.155	0.032	0.197	4.903	0.000
Communication	0.027	0.036	0.036	0.738	0.462
Feedback	0.146	0.036	0.198	4.020	0.000

Source: the research survey, 2015

a. Dependent Variable: Motivation

As indicated on table 4.10 (a), the F-ratio of 126.673 ( $p < 0.001$ ) indicates that the regression is statistically significant. And also the value of the coefficient of determination i.e. R-square is equal to 0.851 and adjusted R-square is 0.845, which implies that 85.1% of the variance in the employee motivation can be explained by pay, recognition, working condition, leadership, career development, communication, performance evaluation and feedback.

In addition, these predictors of employee motivation make a significant impact on the employee motivation since their corresponding t-test associated with a b-value is significant ( $p < 0.001$ ) except the variable communication which is not significant so that it does not impact motivation as shown in the above table. The relative importance of each individual predictor are also explained by the value of beta which tells us that a certain improvement or problem on these variables will improve or decrease by the given values which is statistically significant. Hence, the regression model overall predicts, employee motivation significantly well by using the following formula which relates the dependent and the independent variables, that is

$$Y_i = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + b_7X_7 + b_8X_8$$

Where,  $Y_i$  is Dependent (outcome) variable, i.e. employee motivation.  $b_0$  is constant, -0.046 which can be interpreted as when the bank does not provide any of motivational factors represented here, motivation of employees will be ceased,  $b_1$  is coefficient of pay, 0.143, that means a change in one unit of payment, the motivation of employees will be changed by unit of 0.143,  $b_2$  is the coefficient of recognition, 0.163,  $b_3$  is the coefficient of working condition, 0.153,  $b_4$  is the coefficient of leadership, 0.075,  $b_5$  is the coefficient of career development, 0.139,  $b_6$  is the coefficient of performance evaluation, 0.155 and  $b_7$  is the coefficient of feedback, 0.146. Therefore, employee motivation can be predicted by the following regression formula.

$$\begin{aligned} \text{Employee motivation} = & -0.046 + 0.143(\text{pay}) + 0.163(\text{Recognition}) + 0.153(\text{Working} \\ & \text{condition}) + 0.075(\text{leadership}) + 0.139(\text{career} \\ & \text{development}) + 0.155(\text{performance evaluation}) + \\ & 0.146(\text{feedback}). \end{aligned}$$

The result obtained by this study compared with the case study done by Martha Messele (2014) on the impact of employees' motivation on job performance, which found that pay results higher contribution to motivation of

employees when compared with recognition, work environment and leadership style. Even if the situations and nature of the business varies between the two studies, the result of the finding of this study is in agreement with the above points disclosed here in the study.

Table 4.11 Regression analysis for employee motivation and performance management.

a. Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
0.543 <sup>a</sup>	0.295	0.291	0.762	77.039	0.000 <sup>a</sup>

Source: the research survey, 2015

<sup>a</sup>Predictors: (Constant), Performance Management

b. Coefficients <sup>a</sup>

	Unstandardized Coefficients	Standardized Coefficients		T	Sig.
	B	Std. Error	Beta		
(Constant)	0.683	0.296		2.305	0.022
Performance Management	0.738	0.084	0.543	8.777	0.000

Source: the research survey, 2015

<sup>a</sup> Dependent Variable: Motivation

As according to the following table 29.5% of the change in the motivation of employees is accounted by the change in the performance management practice of the bank. And we can see that the impact of performance management practice on employee motivation is moderate and this can be inferred by the value of beta which is equal to 0.543. Since the value of F equal to 77.039 which is significant at  $p < 0.001$  and the regression model results in significantly better prediction of the motivation of employee by the predictor performance management. Therefore, the regression model for predictor

(performance management) and the dependent variable (employee motivation) is derived using the regression formula.

$$\text{Dependent variable} = (b_0) + b_1 * (\text{Independent variable})$$

Where  $b_0$  is a constant and  $b_1$  is the coefficient of independent variable. Therefore, employee motivation can be predicted by the bank's performance management practice by the following formula.

$$\text{Employee motivation} = 0.683 + 0.738(\text{Performance Management})$$

The study conducted by Hayalu Sileshi (2013) on Ethiopian Insurance Corporation found that lower motivational impact of the performance management practice. Here in this study slightly higher effect was obtained when assessing the impact of the performance management practice on motivation.

#### 4.3.4. Result of Independent t-test on Motivation and Gender

As table 4.12 shows below, since the standard deviations for the two groups are almost similar (0.904 and 0.916) and Levene's Test is not significant since ( $p > 0.05$ ), 'equal variance assumed' is taken for analysis. Therefore, difference on motivational aspect of employees for Dashen Bank based on gender is found to be statistically insignificant ( $t = -0.584$ ,  $p > 0.05$ ). Therefore, motivation of employees does not affected by the gender of the employee.

Table 4.12 Independent sample t-test for output for motivation and gender.

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
MOTIVATION	Equal variances assumed	0.531	0.467	-0.584	184	0.560	-0.090	0.154	-0.394	0.214

	Equal variances not assumed			-0.581	75.903	0.563	-0.090	0.155	-0.399	0.219
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Source: the research survey, 2015

#### 4.3.5. Result of Analysis of variance (ANOVA)

When comparing the level of motivation with the work experience, as table 4.13 displays, the result obtained from one-way ANOVA described as that there is no statistically significant difference in employee motivation between years of work experience ( $F(4,181)= 2.397, p= 0.052$ ). This result suggests that years of service do not affect employees' motivation.

Table 4.13 Group comparison of motivation with years of services.

Number of years serving for the bank	N	Mean	Std. Deviation	Std. Error Mean	Df		F	Sig.
					Between Groups	Within Groups		
<2	71	3.46	0.734	0.087	4	181	2.397	0.052
2-5	78	3.05	0.966	0.109				
5-10	29	3.21	0.978	0.182				
11-15	4	2.75	1.258	0.629				
>15	4	3.50	1.000	0.500				

Source: the research survey, 2015

As can be seen in table 4.14 below, there was no statistically significant mean difference between groups of age ( $F(3,184) = 0.77, p=0.510$ ). Based on this result, it can be said that the employees' age also does not affect work motivation of employees.

Table 4.14 ANOVA output for relation between motivation and age of respondents.

	N	Mean	Std. Deviation	Std. Error	Df		F	Sig.
					Between Groups	Within Groups		
<20	2	4.00	0.000	0.000	3	184	0.774	0.510
20-29	130	3.27	0.861	0.075				
30-39	51	3.14	1.020	0.143				
40-49	2	3.00	1.414	1.000				
Total	185	3.24	0.908	0.067				

*Source: the research survey, 2015*

The result obtained on the relationship between motivation of employees and gender, age and years of service by this study was supported by other similar studies conducted for the same purpose. For example, the study conducted by Berhanu W. (2014) on the impact of performance appraisal system on employee motivation in private commercial banks, obtained similar result that there was no statistically significant difference between motivation of employees and background variables (age, academic qualification and years of experience). And also, a high correlation between employee motivation and predictors like employee participation, performance based pay and performance feedback.

When the participants requested to provide their reactions for the problems that are existing in motivational arrangements of the bank that are helping to execute duty and responsibility efficiently, The majority of the respondents reacted in a way that the current motivational arrangements of the bank are not helping them to execute their duty and responsibility. As according to one respondent 'the motivational arrangement is designed to motivate mostly the experienced employees.' Others said they do find the motivational packages as they are expected.

In addition, the following are major problems observed by the participants of this study in bank's practice to motivate of employees:

- Discriminatory salary scale for exactly the same job position with the same level of experience and the same field of education.
- The practice of seniority based promotion which does not incorporate the best performer with low experience.
- Luck providing benefits like housing loan and personal loan with lower interest rate.
- Luck of recognition for their accomplishments.
- Luck of acknowledgment and appreciation for individual contribution to the success of the bank.
- Luck of training for employee development.
- Subjective performance evaluation.
- Absence of employee empowerment

Respondents also provide their personal opinion about the existing motivational practice of the bank. Hence, some respondents raise some issues that they believe affect their motivation to perform and give their suggestion about the current motivational practice of the bank. These are:

- The newly introduce salary scale which does not considers an employee's experience should be re-designed so as to give weight for experience of individuals.
- The bank should to continuously review its financial and non-financial reward in order to go along with time to satisfy motivational requirement of employees.
- Supervisors should develop good communication skills to create harmony with subordinates.
- Subjective performance evaluation should be discouraged and replaced by standardized one.
- The management should allow staff to own shares of the bank.

- Appreciation and acknowledge should be delivered at the time when employees' performance excel and they give valuable contribution successful accomplishment.
- There should be fair and transparent evaluation and promotion of employees according to their activities.
- The working environment should be improved so as to increase motivation.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Summary of Key Findings**

Based on the data analysis and interpretation provided in chapter four, summary of main findings are presented here.

- According to employees response on performance management prerequisites, it is found that the mean value of 4.34 with standard deviation 0.626. This implies that on average most of the participants of this study have a good knowledge about the bank's vision, mission and strategic goals and know their duties and responsibilities.
- 44.6% of participants believed that the measurement of individual performance in the bank is by complying rules instead by his/her outcomes.
- The mean analysis resulted in arithmetic means which falls slightly higher than central point of the scale, which indicates that a slightly greater from half of participants of this survey are showing their agreement that they are relatively motivated by the existence of these motivational factors in the bank.
- Most of employees of the bank are not motivated by the performance evaluation system, which has a mean of 2.91.
- It is found from the regression analysis that 41.5% of the change in the motivation of employee can be explained by variation occurred in the performance management practice of the bank.
- The majority of the participants gave their response that fair and competitive pay, good working condition, recognition, acknowledgments, clear and transparent promotion practices which are non-discriminatory,

different training programs, positive relation with supervisors, continuous feedback and fair evaluation are the factors that make them to be motivated.

## **5.2 Conclusion**

From the findings and data analysis of the research, the following conclusions are drawn:

- The bank effectively performs its duty to familiarize its employees with its vision, mission and objectives, made an effort to create an understanding of the required duties and responsibilities of a particular job and to align its strategic goals with individual goals and objectives.
- Employee him/herself, peers and customers have not given a chance to participate in the evaluation process of individual employee to determine whether the employee exhibited the desired behaviors and the desired results have been achieved.
- The performance evaluation report does not reveal employee's true performance and it is heavily rely on complying rules instead of focusing on the outcome.
- The performance result obtained from the individual performance assessment does not linked to the bank's reward system so that the result does not provide basis for additional payment (reward) and promotion.
- Employees perceive the current performance appraisal system as a waste of time and it is conducted for fulfillment of formalities. It is not properly installed and integrated with other HR functions in order to properly measure and improve employees' performance.
- The bank adopts unsystematic performance management process. There is no clear structure that shows the existence of a coherent and uniform performance management core elements such as performance pre-

requisite, performance planning, performance execution, performance assessment, performance review and performance renewal.

- The selected eight motivational factors (pay, recognition, working condition, leadership, career development, communication and feedback) have a positive impact on the motivation of employee. Even if they impose relatively small effect as compared with the initial assumption and participants acknowledged that they are relatively motivated by the existing factors. However, the performance evaluation of the bank is not considered as a source of motivation by employees.

### **5.3 Recommendation**

The following recommendations are forwarded based on the findings and conclusions of this study. They are pointed out by assuming that they would be helpful and pave the way for better performance management practice which can play an important role in motivating employee and can serve as a source of motivation.

- i. The bank should implement performance management system which enable the bank to perform continuous assessment and evaluation throughout the year and to focus not only on past performance but also on future improvement built on past as well as to develop the employee by making the manager as a mentor or a coach.
- ii. The human resource management of the bank should have reorganized to accommodate performance management system and develop guide line, manuals and procedures to expedite its implementation process.
- iii. Performance evaluation should not be done only by supervisors in order to minimize bias and subjectivity. Other stakeholders (team mates and customers) should have a voice in the appraisal of employees. In addition, the appraisal system should incorporate self-assessment.

- iv. The bank should design performance management standard guidelines to make easier for supervisors and employees to facilitated activities during goals formulation, proper execution, monitoring and evaluation employees' achievement.
- v. There should be a direct link between performance appraisal and the reward system and training and development of the bank. In order to improve the motivation of employees and to change the negative attitude toward the system, the bank should design a transparent and well equipped performance management system which provides answers for the existing gaps in the current HR activities.

Finally, the bank top management should demonstrate its determination to improve the motivational schemes which have a profound impact on its employees' commitment and attitudes toward their jobs so as to achieve the desired results. The bank can also use the performance management practice as source of motivation for employees and consider it as one of motivational factor that will help employees to accomplish the desired outcome and improves image of the human resource management of the bank. Moreover, it should give due attention for coordination of activities related with the performance management of the employees with other human resource management practices and move into action to install the performance management system in its structure.

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# **Appendix**

**Addis Ababa University**  
**College of Business and Economics (CoBE)**  
**School of Commerce Graduate Studies Program**  
**Department of Business Administration and Information System**  
**Questionnaire for Employees of Dashen Bank S.C.**

Dear Respondents,

I am a post graduate student at Addis Ababa University School of Commerce and also employee of this bank. This questionnaire is prepared to collect data for my dissertation project on the topic of “*Performance Management Practice and its Effectiveness in Motivating Employees: The case of Dashen Bank*” in partial fulfillment of the requirement for *MA in Human Resource Management*. The questionnaire has been designed in such a way to minimize time required for completion. I am kindly requesting you to respond for the given questions based on the experience you have while working in this bank. Your responses are strictly confidential and will be used only for the academic purpose of this study.

Thank you in advance for your great assistance and cooperation!

**Samson Tesfaye (Email: somsomt@gmail.com)**

***Part I: Profile of Participants***

**Directions for filling the questionnaire**

Please put a tick mark (✓) or a cross mark (✗) in the boxes corresponding to your response. Make your response confidential; please don't mention your name or any other identification.

1. Sex:       Male       Female
2. Your age group in years: < 20  20-29  30-39  40-49  > 50

3. Educational status: College Diploma  1<sup>st</sup> Degree  2<sup>nd</sup> Degree  Others

4. The number of years you have been serving in this Bank:

< 2  2-5  5-10  11-15  > 15

5. Marital Status: Single  Married  Divorced  Widowed

6. The position that currently you are working in Dashen Bank:

Clerical  Non-clerical  Middle Level Management  Top Level Management

7. Department/Area Bank in which you are working \_\_\_\_\_.

## ***Part II. Performance Management***

This questionnaire is prepared based on a five point Likert scale. Please indicate to what extents do you agree or disagree with the following statements. If the statement strongly matches with your response, choose **5(Strongly Agree)**, if you discreetly agree on the idea, choose **4(Agree)**, if you do not have any response on the point, choose **3 (Neutral)**, if you discreetly disagree with the statement, choose **2 (Disagree)** and if you completely differ with the statement, choose **1 (Strongly Disagree)**.

No	Particular	Level of Agreement				
		5	4	3	2	1
<b><i>Performance Pre-requisites</i></b>						
1	I clearly know the bank's vision, mission and strategic goals.					
2	My objectives support the bank's mission, strategic goals and objectives.					
3	I am clear with my duties and job responsibilities.					
<b><i>Performance Planning</i></b>						
1	The bank's strategic goals are aligned with my personal objectives.					
2	I have supervisor who give me a chance to participate in setting job goals, objectives and measurement standards.					
3	The standards that are used to evaluate my job are clearly explained to me by supervisors.					
<b><i>Performance Assessment</i></b>						
1	My performance has fairly measured based on the agreement I made with my superiors at the beginning of my assignment.					
2	The evaluation process in the bank is fair, objective and reasonable.					
3	The evaluation is done on the basis of pre-established performance standards.					

4	Performance evaluation of the bank is transparent.						
5	Superiors, peers, and customers participate in evaluation process.						
<b>Performance Review</b>							
1	I assess my own performance before performance review discussions.						
2	Superiors provide me a continuous feedback and guidance throughout the year.						
3	There is a two way communications with my superiors during performance review discussion.						
4	There is an appeal process if I don't agree how I am evaluated.						
<b>Perception on the Performance Evaluation System</b>							
1	In the performance appraisal form, job related contents are fairly included.						
2	I believe the performance evaluation report reveals my true performance.						
3	The bank performance evaluation system is reliable.						
4	The employee may not be entitled for additional pay even he /she gets the highest performance evaluation score.						
5	Performance is measured based on complying rules not outcomes of individuals.						
6	Performance evaluation of the bank is source of conflict between subordinates and supervisors.						
<b>Purpose and effects of Performance Evaluation Process</b>							
1	The performance appraisal process communicates performance expectations of the bank in each level.						
2	The performance appraisal system applies similar format and technique to evaluate all jobs in similar grades and levels.						
3	The performance result I received has helped me to improve my performance.						
4	Performance results provides basis for pay decisions and promotion in the bank.						
5	I think the current performance appraisal system is a waste of time and used only for formalities.						

### Part III. Employees' Motivation

Please indicate the statement that represents factor which provide higher motivation or lower motivation. If the statement represents your feeling, choose **5 (very high importance for motivation)**, if the statement modestly much your idea, choose **4 (high importance for motivation)**, if you are not sure, select **3 (neutral)**, if the statement does not much your feeling, choose **2 (not important for motivation)** and if you are totally in disagreement with the statement, choose **1 (not very important for motivation)**.

No	Particulars	Level of Agreement				
		5	4	3	2	1
<b>Pay</b>						
1	I feel that the existing pay motivates me to perform.					
2	The pay scale and benefit of the bank treats each employee in an equitable manner.					
<b>Recognition</b>						
1	The acknowledgment I get for my accomplishment has made me to exert more					

	effort on my job.								
2	Employee achievements are publicized throughout the bank.								
<b>Working condition</b>									
1	The safe and conducive working condition has encouraged me to produce high performance at work.								
2	The bank provides the necessary equipment to adequately perform my duties.								
<b>Leadership</b>									
1	My superiors are ready and capable in assisting me whenever I need support.								
2	The bank's superiors are willing to invest on employee's development, motivation and job satisfaction based on performance review results.								
3	Both praise and appreciation are regularly given to me for the good work I have done.								
<b>Career Development</b>									
1	There are good promotion opportunities for employees within the bank.								
2	The advancement and growth opportunity within the bank motivates me to perform better.								
<b>Performance Evaluation</b>									
1	The performance evaluation process in the bank designed to motivate me to achieve my goals and improve my performance.								
2	The current performance appraisal system used, adequately measures my true performance.								
<b>Communication</b>									
1	My superiors are frequently and honestly communicate about issues affecting my job.								
<b>Feedback</b>									
1	I receive adequate feedback from my supervisors.								
2	Feedback from my supervisors is clear and directed at improving my performance.								

1. What motivates you to exert more effort on your work?

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2. Which motivational factors/elements play an important role in your job?

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3. Are the existing motivational arrangements of the bank helping you to execute your duty and responsibility efficiently?

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4. What major problems you have observed in motivating employees by the bank?

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5. Any point you want to say about the existing motivational practice of the bank?
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***My deepest thank for giving your prompt response and contribution. (If you have any opinion, please don't hesitate to forward it by this No. 0911-64-34-00)***