



**ADDIS ABABA UNIVERSITY SCHOOL OF MA
PROGRAMME IN HUMAN RESOURCE MANAGEMENT**

**“Assessment of adopting PMS Practice In The Case Of Commercial
Bank of Ethiopia: Particularly Nifas Silk District”**

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fulfillment of the requirement for the degree of master of Human Resource Management**

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ADDIS ABABA: ETHIOPIA

Declaration

I, Seamawit Bogale, hereby declare that this thesis has been conducted by way of me below the Supervision of - **Bahran Asrat (Ph.D.)**. This thesis has never in its present form, or in some other shape, been provided to some other inspecting frame for the award of any diploma. Wherein the perspectives and thoughts of others have been used, they were duly stated. I therefore take obligation for any inaccuracies and shortcomings, which can be detected in this thesis.

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Certification

I hereby certify that everyone the correction and recommendation suggested with the aid of the committee of examiners are integrated into the final essay entitled “an assessment study under the title “**Assessment of adopting PMS Practice in the case of Commercial Bank of Ethiopia: Particularly Nifas silk District**”

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ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE GRADUATE PROGRAM

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List Acronyms

CBE - Commercial Bank of Ethiopia

EPM - Employee Performance Management

EPMS - Employee Performance Management system

HR - Human Resource

HRD - Human Resources Development

HRM - Human Resources Management

PM - Performance Management

PMS - Performance Management system

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Abstract

The general objective of the study was to provide a comprehensive understanding the adopting of PMS Practice in the case of Commercial bank of Ethiopia: particularly Nifas silk district. The study was guided by the following research objectives: To identify the adopting PMS practice in CBE at Nifas silk district, to explore potential solutions to overcome the challenges that faced CBE while adopting PMS, to provide some scientific indication for financial institutions in Ethiopia to successfully adopt and implement a PMS, o determines the impact of the challenges on the successful implementation of a PMS in commercial banks of Ethiopia at Nifas Silk district. Researchers have used the quantitative research methodology. Descriptive approach was used and, a sampling technique was employed to pick co-workers, and a stratified random sampling strategy was used to select questionnaire respondents. Both primary and secondary data were used. The initial data was gathered through 134 participants were surveyed, and information was also obtained from manager interviews, in order to gather data for the study. The analysis was completed, and the presentations are in terms of occurrence, average, tables, and percentage, The Research findings showed that the majority of the practices used in the stages of performance management had poor mean values. The bank's employees agreed that performance management requirements should be properly communicated, with a high mean value (4.3) and a moderate mean value (3.58) for performance planning. On the other hand, low mean values were seen in other values of the remaining phases (3.06 - 2.67). Employee replies indicate that a variety of difficulties were experienced when implementing the PMS. In conclusion, the adoption of performance management systems (PMS) is a critical challenge facing the Commercial Bank of Ethiopia, particularly the Nifas Silk District. The implementation of PMS has the potential to improve organizational performance, enhance employee engagement and motivation, and provide valuable insights for decision-making.

Key words *CBE - Commercial Bank of Ethiopia PMS- Performance Management system HRD - Human Resources Development.*

CHAPTER ONE

INTRODUCTION

1.0 INTRODUCTION

Performance management, which involves the systematic measurement, analysis, and improvement of employee performance, is an essential component of organizational management. To accomplish their strategic goals and objectives, firms must implement performance management systems (PMS). Performance management is essential for boosting profitability, operational effectiveness, and customer happiness in the banking industry.

The difficulties the CBE will have in implementing performance management systems in the Nifas Silk district are the main topic of this thesis. The thesis will look at how performance management is currently practiced at the CBE, identify the main obstacles the bank faces in implementing performance management systems, and suggest ways to get beyond those obstacles.

1.1 Background of the Study

Particularly in competitive industries like banking, medicine, etc., rising competition is the new watchword and the fight for survival has become the new reality of the day. Performance management systems have become the foundation of every firm (Gupta, 2012). All HR operations involved with looking at the future, for improvements, problems, and opportunities are integrated into the performance management system, which is a comprehensive corporate system. Performance management is an ongoing activity that is fully incorporated into how the business is operated (Stredwick, 2005).

One of the most efficient strategies for the growth of human resources is the performance management system, which paves the way for career planning, competence mapping, training, and other activities (Gupta, 2012). Performance management is a scientific, ongoing, and adaptable approach for enhancing organizational performance by developing team and individual performance (Armstrong, 2006). In order to get better results, performance management provides a method that allows individuals to perform successfully within a set of predetermined standards, competency requirements, and planned goals (Aguinis, 2013).

Performance management exists to establish a common understanding of what needs to be accomplished, manage and develop personnel in a way that enhances both the short and long-term objectives will be met (Armstrong, 2006). Managers must use performance management to make sure that workers' activities and outputs, support the organization's objectives and, as a result, provide it with a competitive edge. Consequently, performance management establishes a link between individual performance and organizational goals, as well as makes clear how employees contribute to the organization (Aguinis, 2013). Additionally, according to Armstrong (2006), effective performance management entails managers and those they supervise working together as partners within a framework that outlines how they might cooperate most successfully to get the desired results. It serves as the foundation for frequent and ongoing conversations between managers and employees regarding performance and development requirements, in which the individual's performance grows over time. "To all intents and purposes, a company is assessed by its performance," said Stredwick (2005, p. 288) to illustrate the significance of employee performance management.

However, the majority of economists and talking-heads concur that the quality of the labor force at all levels of the firm has the greatest impact on organizational performance. Organizations can function well or poorly owing to external causes. Teams of highly qualified, trained, and motivated workers will almost always be able to overcome the majority of challenges brought on by outside forces, whereas poorly motivated, undertrained, and unskilled labor forces will almost never be able to take advantage of advantageous outside opportunities. Given this circumstance, it might be stated that human resources most crucial responsibility is to improve managers performance in given the circumstances, it might be claimed that improving employee performance inside the firm is HR's (human resources) most crucial task. This requires managing staff performance, which is a difficult task. "The successful and efficient application of the performance management system depends on the behavioral aspects of the employees and manager, as well as how the managers persuaded the staff to use the system" (Qureshi et al. 2010).

Manager's performance that is improved on an individual basis may also benefit the organization. As a result, job performance may be simply defined as the expected actions. Of a worker and how skillfully those tasks were carried out. Many corporate personnel directors evaluate each staff member's performance in order to aid employees in identifying areas for development (Zhang,

2012). This demonstrates that the performance management system requires a strong commitment from all stakeholders, especially the workers who play a big role in the process and really put the method and documentation into effect. In order to enhance both performance and the system in place, it is crucial to evaluate how performance management is carried out and look at challenges including a lack of coherence, commitment, and measures.

1.2 Background of the organization

The largest commercial bank in Ethiopia, both in terms of market share and client, is Commercial Bank of Ethiopia. The bank was the first to introduce modern banking to Ethiopia and is recognized for having had a significant impact on the growth and development of the country's economy. It was founded in 1942. As of December 2, 2022, it employed more than 40,000 people and has more than 1,700 branches around the nation. Nifas Silk district is one of Addis Ababa's busiest and most populous districts in Addis Ababa the capital city of Ethiopia. Several CBE branches are located in the district, and they offer a variety of financial services to the locals and companies.

Therefore, the study evaluates CBE's staff performance management procedures and their difficulties. Since July 2014, Commercial Bank of Ethiopia has collaborated with the Frankfurt School of finance and business experts to establish an employee performance management system as one of the key components of its human resource development plan (public website of CBE). In general, CBE employs a framework for its performance management process (PMS) that entails ensuring employee readiness, performance planning, data tracking, performance coaching and feedback, quarterly performance appraisal, managing grievances regarding performance appraisal, developing an employee performance development strategy, and goal achievement.

1.3 Statement of the Problem

In an attempt to enhance organizational performance, several financial institutions implement PMS, because of inadequate consideration of PMS applications, companies face challenging to establish a performance management (Qureshi et al. 2010). Thus, the purpose of this study was to close the gap in the study area by evaluating the PMS practices and problems at Commercial Bank of Ethiopia specifically Nifas Silke district. From a larger viewpoint, this study could be relevant

for CBE to track its system-practice development and identify key areas for improvement and to ensure the system is successfully implemented at the branches under investigated district.

The Commercial Bank of Ethiopia, particularly the Nifas Silk District, faces significant challenges in adopting performance management systems (PMS) practice . Despite the potential benefits of PMS, including improved organizational performance and employee engagement, the adoption process has been slow and fraught with difficulties. The lack of employee buy-in, inadequate training and resources, cultural barriers, and technological challenges are among the critical issues that hinder the successful adoption of PMS in the bank.

The main goal of performance management is to enhance and develop performance of the bank staff. Furthermore, controlling staff performance will significantly improve the organization's overall performance. (Zhang, 2012). As a result, it's crucial to evaluate the performance management system's real usage and difficulties in order to determine both its strong points and its regions for development. This study evaluates the methods and challenges encountered in manager's performance at CBE in the Nfas Silk District.

The adoption of performance management systems (PMS) practice is a critical challenge facing many organizations, particularly those in the banking sector. PMS can provide valuable insights into organizational performance, help identify areas for improvement, and enhance employee engagement and motivation. However, the adoption process can be complex and time-consuming, and many organizations struggle to implement PMS effectively.

In the case of the Commercial Bank of Ethiopia, particularly the Nifas Silk District, the adoption of PMS practice has been slow, and there are several challenges that hinder the process. One of the key challenges is the lack of employee buy-in. Employees may be resistant to change, or they may not understand the benefits of PMS, which can make it difficult to implement the system effectively.

Furthermore, the role of leadership in promoting the adoption of PMS and the influence of organizational culture on employee attitudes towards PMS remain unclear. The effectiveness of training programs in facilitating the adoption of PMS and the impact of PMS on employee motivation and performance in the bank also require further investigation.

Therefore, this thesis aims to explore the challenges facing the Commercial Bank of Ethiopia, particularly the Nifas Silk District, in adopting PMS practice and develop recommendations for improving the bank's performance management practices. By addressing these challenges, the bank can enhance its competitiveness, provide better services to customers, and maximize the potential of its employees.

1.4 Research question

The thesis tried to address the following research issues:

1. What are the challenges that face CBE in adopting a PMS Practice in the case of Nifas silk district?
2. How do employees, managers, and regulators, perceive the adoption of a PMS practice in CBE particularly Nifas silk district?
3. What are the key factors that influence the successful adoption of a PMS practice in CBE?

1.5 Objective

By addressing these specific and general objectives, the research can provide a comprehensive understanding of the challenges faced by financial institutions especially in commercial banks of Ethiopia to adopting a PMS practice, and can provide insights and recommendations for addressing these challenges and achieving success in the implementation of such a system.

1.5.1. General objective

To investigate the challenges faced by financial institutions in Ethiopia in adopting a performance management practice in commercial banks and to identify potential solutions to these challenges.

1.5.2. Specific Objective

- ✓ To identify the challenges faced to adopting PMS practice in CBE at Nifas silk district.
- ✓ To identify employees, managers, and regulators, perceive the adoption of a PMS practice in CBE particularly Nifas silk district?.
- ✓ To identify the key factors that influences the successful adoption of a PMS practice in CBE.

1.6 Significant of the study

The research on the assess the challenges facing financial institutions in adopting a performance management practice in the case of the Commercial Banks of Ethiopia is significant for several reasons:

1. Contribution to knowledge: The research can contribute to the existing knowledge on the challenges and solutions related to implementing a performance management system in the financial institutions of Ethiopia. This can help to inform future research and provide insights for practitioners working in the field.
2. Improved organizational performance: Implementing an effective performance management system can improve organizational performance by aligning individual performance with the bank's overall strategic objectives. This can lead to increased productivity, employee motivation, and overall organizational success.
3. Increased employee engagement: An effective performance management system can increase employee engagement by providing regular feedback, recognition, and opportunities for development. This can lead to increased job satisfaction and motivation, and can help to retain talented employees.

1.7 Scope of the study

The practices and difficulties of performance management were the only aspects of the organization's human resource management programs that were part of the study's scope. Additionally, it failed to include additional facts of the firm' general operating procedure. This study's scope excluded group/team performance management from its examination of individual PMS techniques and issues and businesses practice. The research only included bank managers and Employee performance management practice who were in Nifas Silke district Nifas silk sub city of Addis Ababa city Administration. This research also employed a sample rather than the entire target population due to time and budget limitations.

1.8 Limitation of the Study

The study was bounded only to the area of assessment of practices and challenges of PMS inCBE at Nifas silk district. The study was limited to branches located around Nifas silk district coverage

area; other branches of the bank were not studied due to different constraints. So the surveyed and the interview focused on only managers of different branch under the district. Other aspects of the organizations like human resource management programs, performance management procedures and difficulties encountered are not included in this study. Additionally, the company's general business practices have not been discussed. Another limitation of the study was the findings might not be generalized to other areas of CBE and also other commercial banks in the country, other organizations, government and private sector industries in Ethiopia.

1.9 organization of the work

The study is divided into five chapters, the first of which includes the study's background and organizational structure, the problem statement, the research questions, the study's purpose, its significance, its scope and its limitations. The relevant literature including theoretical review, empirical review and conceptual frame work given under chapter two. The research methodology is covered in Chapter Three and includes information on the study area, the research design, the research approach, sampling and types of data. The methods used to collect the data, reliability and validity checking also cover under chapter three. Data analysis, data presentation and interpretation are covered in chapter four. The findings, conclusion, and recommendations are reported in chapter five.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In order to establish a theoretical foundation for the investigation, this chapter introduces the literature review. Additionally, it describes the research questions it covers and provides the conceptual foundation for the research.

2.1.1 Performance

Performance, according to (Armstrong & Taylor (2014)), is action that produces outcomes. The term "performance" does not refer to the features, personal attributes, or competencies of the performer; rather, it refers to a set of outcomes produced during a specific period of their employment time. The assessment of an employee's performance shows how that person contributed to the organization's goals ((Toppo & Prusty, 2012)).

Performance is defined as "something that people really do and can be witnessed. Performance is what the organization hires one to do, and do well," according to (Campbell et al. (1993)), as referenced by (Smithers& London (2009)). Performance is the action itself; it is not the effect or outcome of the action.

According to (Osmani and Maliqi (2012)), performance refers to the process through which employees use their knowledge and abilities to carry out the job necessary to effectively realize their goals. Therefore performance refers to how effectively a worker fulfills the requirements specific to their employment.

2.1.2 Performance management

Performance management, according to Aguinis (2013), is a constant process of identifying, assessing, and developing an individual's or a team's performance as well as aligning performance with the organization's strategic objectives. He takes into account the definition's two key elements: The first element is continuous process, which is a process that is ongoing and involves continually creating goals and objectives, monitoring performance, and providing and receiving continuing coaching and feedback. The second element is compatibility with strategic objectives. Managers must use performance management to make sure that workers' actions and outputs support the organization's objectives and, as a result, provide it a competitive edge. Performance As a result, management establishes a clear connection between employee performance and organizational objectives and highlights workers' contributions (Ibid).According to Armstrong (2006), performance management is a strategy for improving outcomes that entails analyzing and controlling performance within a predetermined framework of established standards, goals, and competency criteria. There are procedures for creating a common understanding.

For managing and developing people in a way that enhances the likelihood that it will be accomplished in the short and long terms, it is important to be clear about what needs to be accomplished. Dessler (2013) emphasized that performance management entails continually ensuring that each employee's and team's performance is consistent with the organization's overarching objectives. Performance management is a particularly continuous, goal-oriented method of evaluating and managing employee performance. Meeting with a subordinate once or twice a year to discuss performance is never enough to qualify as performance management. To ensure continual progress, it refers to ongoing, daily, or weekly exchanges and feedback. Goal-directed performance management is a given. Performance management is centered on strategic congruence: each employee's goals must be in line with the departmental and corporate objectives. Performance management is routinely assessing and, if necessary, changing how the person and team do their task. Depending on the problem, this can entail implementing new incentive programs, modifying work practices, or adding more training (Dessler, 2013). Performance management is a whole firm system that is integrated into all HR functions, including recruiting, training, reward, and relations, according to Stredwik (2005). Performance management is more concerned with looking to the future, to improvements, challenges, and opportunities, whereas the assessment process is all too frequently focused with looking backwards, seeking for reasons and placing blame. Additionally, performance management is a continual process that is fully incorporated into how the business is operated.

The practice of overseeing the strategic execution of an organization is known as performance management (PM). It is a method for converting plans into outcomes. Consider PM as an overarching idea that combines technology with well-known business development approaches (Cokins, 2004). An essential instrument for assisting a business in achieving its goals is the performance management system.

To grow the crucial component of the organization, human capital, both individual talents and contributions as well as organizational objective measurement are required. Employees play a key role in performance management systems. A well-designed model of system will provide strong management commitment and improved employee performance, both of which will contribute to the success of the firm. Performance management systems are incredibly valuable to a business when used properly (Zulystiawati, 2014).

Performance management, according to Mathis and Jackson (2010), is a set of actions intended to guarantee that a business receives the performance it requires from its workers. Finding the strategic objectives required by a business is the first step in the performance management process. Should achieve in order to stay profitable and competitive. Additionally, it relates organizational strategy to final results and lets a business to translate overall strategy into outcomes that meet the purpose and objectives. It may also give a cohesive approach to dealing with individual career development. The organization's expectations should be made clear, employees should get performance information, areas of success and areas for improvement should be noted, and performance should be recorded for personnel records (Ibid). Poorly executed PMS won't inspire workers, and their dissatisfaction with their jobs will unavoidably have a detrimental effect on their self-esteem, outputs, and productivity levels. According to Aguinis (2005), the drawbacks or adverse effects of improperly administered PMS include:

- ✓ Increased employee turnover if the process is perceived as unfair;
- ✓ Lack of a defined system may lead to the use of inaccurate or misleading information;
- ✓ low self-esteem brought on by erroneous and unsuitable remarks;
- ✓ resource waste that harms the environment by wasting time and money return on investment for the organization;
- ✓ A flawed system has a negative impact on relationships;
- ✓ adversely impacts motivation to accomplish, mostly because excellent intentions are not translated putting effort into meaningful benefits;
- ✓ Employees experience work fatigue and unhappiness mostly because of the system is recognized as unfair, and the performance evaluation tool is viewed as not valid;
- ✓ greater likelihood of workers who believe they have been evaluated filing legal actionunfairly;
- ✓ Resources of managers are being subjected to unreasonable expectations as a result of the negative effects ofRather of offering the advantages of well-executed systems, implemented systemsthey occupy managers' time, which causes opposition to the system and even avoidance;
- ✓ Standards and ratings may differ and be unjust among units, even those that have been replaced bypersonal beliefs, prejudices, and connections;

- ✓ Due of inadequate communication, workers may be unaware of how their ratings are calculated or what the ratings are used for rewards bring about mystery;

2.2 Performance management objectives

A performance management system may gather data for a variety of reasons. Aguinis (2013) claimed that a performance management system may generally be used for the strategic, administrative, informational, educational, developmental, organizational upkeep, and documentation. Let's look at each of these goals individually.

2.2.1 Strategic Intention

By linking the organizations goals with individual goals, the PMS reinforces behaviors consistent with the attainment of organizational goals. Additionally, even if there is a rationale linking individual and corporate objectives helps to express the most important company strategic ambitions when individual goals are not attained.

2.2.2 Administrative Goals

The provision of reliable and beneficial information for making decisions regarding personnel administrative is the second purpose of performance management systems. These administrative choices include merit raises, wage modifications, promotions, hiring or firing decisions, acknowledging individual performance, identifying underperformers, and retention or termination decisions. As a result, the administrative objective encompasses the installation of incentive systems based on data from the performance management system.

2.2.3 Information - based Objectives

Systems for performance management are crucial tools for communication. Then, they Employees should be updated on their performance and given information on particular places that might need to be improved. Second, they offer information relevant to the strategic goal information about the organizations, the requirements of the supervisor, and what elements of the tasks that the supervisor deems to be most crucial

2.2.4 Goals for Development

An effective performance management system must include feedback, as was already said. Using this input in a developing method will allow for the identification of understanding the performance issues' underlying causes as well as of their strengths and limitations. Feedback is important, of course, only to the degree that corrective action is done and real measures are taken to address any shortcomings. Additionally, employees may only benefit from feedback if they are open to receiving it. Employees gain information about themselves that might assist them in customizing their professional routes, which is another component of the developmental objective.

2.2.5 Organizational Upkeep Goals

The sixth function of a PMS is to offer data for workforce planning. Workplace planning is a collection of tools that enables businesses to foresee demands and react to them. To establish goals and distribute human resources where they will be most effective, new ideas that are both inside and outside the business must be considered. The talent inventory, which contains data on available resources, is a crucial part of any workforce planning endeavor. The main method for creating precise talent inventories through PMS is evaluation of organizational performance accomplishments, the efficacy of HR interventions, and future training requirements are some other organizational maintenance goals. Without a strong performance management system, these activities cannot be carried out successfully.

2.3 Employee Performance Management Stages

The six fundamental components of performance management are outlined as follows by (Dessler (2013): goal alignment, continual performance tracking, continuing coaching of feedback, and assistance for development, as well as honors and incentives. The conclusion of performance and development agreements, performance planning, personal development planning, managing performance throughout the year, conducting performance reviews, and assessing performance, according to Armstrong and Taylor (2014), are the main processes involved during the performance management cycle. The EPM framework, as defined by Zhang (2012), incorporates the following steps: designing and planning performance, managing and reviewing performance, and rewarding performance. Additionally, according to Mathis and Jackson (2010), performance

management begins with the creation and comprehension of organizational strategy and then integrates into a number of phases that include defining performance expectations, offering performance guidance, and motivating employees.

Participation of employees, evaluation of job performance, and performance appraisal. The performance management process, according to Rowley and Jackson (2011), has three steps: performance planning, performance observation and positive and remedial feedback, and periodic performance reports. Strategic planning, scorecard measures, budgeting, costing, anticipating resource requirements, and financial consolidations are all closely interwoven and generally applicable approaches that fall under the notion of performance management (Cokins, 2004).

There are several methods that the PM framework can take, according on the various texts that scholars have described. effective implementation of the PM as a system and to use as a monitoring and evaluation sketched with the ultimate aim of supporting the effective implementation of the PM as a system and to use as a monitoring and evaluation technique for identifying system weaknesses in comparison to the results anticipated from each phase and the PM system overall.

The preparation step/prerequisites step, performance planning step (setting the individual objectives and targets), performance execution, performance assessment/evaluation (appraisal) step, performance review the, rewarding and development (as an outcome of the appraisal) at the end of the performance management system are the major steps, even though there are differences in the approaches taken by the scholars to create the framework as revealed above.

2.3.1 Requirements / Setting Up to Begin the Process

Torrington, Hall, and Taylor's (2008) study revealed that there is a notion that the company must first prepare for and control individual performance. Took important efforts to determine the performance standards that the entire company must meet. The majority of the time, this entails a mission statement to help put performance in the perspective of an overarching theme as well as strategic business goals that are necessary in the present business environment to remain competitive and fit with the organization's mission statement¹⁶ (Torrington, Hall & Taylor 2008). Therefore, it is vital to establish the purpose, the strategic aim, and the job in question before

adopting the performance management system prerequisites. Smither and London (2009, p. 12) expounded more on this

“Before a performance management system is put into place, two crucial conditions must be met: (1) Understanding the mission and strategic objectives of the firm; and (2) Understanding the work at hand. If there is a misunderstanding of where the organization wants to go or the link between the purpose and strategies of the organization and those of each of its units, there will be uncertainty about what each employee must do and accomplish to help the organization get there. Similar goals cascade downstream once the organization's general goals have been defined, with departments creating goals that complement the organization's overall mission and objectives. Downward cascade continues until every worker has The cascading continues downward until each employee has a set of goals compatible with those of his or her unit and the organization.”

The two crucial conditions that must be met before the deployment of a good performance management system are acknowledged by Aguinis (2013). First and foremost, it's important to understand the organization's mission and strategic objectives. This information, Employees are able to make contributions that will benefit the unit and the company as a whole when paired with understanding of the mission and strategic goals of their unit. Second, it's important to have thorough understanding about the work, including the activities that must be completed, the best way to complete them, and the KSAs (knowledge, skills, and abilities) that are required. Job analysis is used to do this. Work analysis is the process of identifying the essential elements of a certain job, including activities, tasks, products, services, and processes.

2.3.2 Planning for Performance

Any performance management strategy must start with performance planning since it serves as the foundation for performance evaluations. Planning for performance is done collaboratively by the commencement of a performance session with a review. The objectives and key performance areas that can be accomplished over the course of a year within the 17 performance budget are decided upon by the workers at this time. The performance budget is then completed following mutual agreement between the reporting officer and the employee (Gudla and Veni, 2012).

An efficient performance management system is built on the foundation of performance planning. The manager has the opportunity to address expectations and what is actually significant in the employee's position during the performance planning meeting. It provides the person with a clear functioning so that he or she may go about doing his or her job with complete confidence that he or she is working on the highest priority duties and acting in a manner that the business expects (Grote,2002).According to Grote (2002), performance planning entails four main activities: determining the individual's key job responsibilities, creating a shared understanding of the goals and objectives that must be attained, determining the most crucial competencies that the individual must exhibit while performing the job, and creating an appropriate performance review process.

Performance agreements that specify how work will be evaluated and the supporting data that will be utilized to determine competency levels constitute the basis for performance planning. Additionally, the manager and the person agree on what the latter must do to accomplish goals, increase standards, and better performance (Armstrong and Taylor, 2014).According to Armstrong and Taylor (2014), expectations are often outlined in position profiles that list important outcome areas, as well as the knowledge, skills, and abilities (KSAs) necessary as well as the behavioral competencies. Objectives or targets can be used at this stage to specify what needs to be done in important outcome areas. Aligning individual objectives with the strategic goals of the organization is a crucial component of performance planning organization.

It's crucial to go through performance objectives with employees at the start of the performance management cycle, covering both the actions they should do and the outcomes they should attain in the forthcoming rating cycle. the actions are significant because they demonstrate how a worker approaches their work, including how they assist their team, interact with others, and mentor others (Pulakos, 2004).

Expectations for behavior and performance must to be linked to the business goals and organization's strategic direction. In reality, when designed and executed correctly, performance management systems encourage staff to act in ways and produce outcomes that help the business reach its goals. (Ibid) employees should have a full understanding of the performance management system by the time they reach the performance planning stage. Until each employee has a set of

objectives that are congruent with those of his or her unit and the company, the cascading process continues downward.

In actuality, at first the supervisor and the employee meet at the beginning of each performance cycle to discuss and determine what needs to be done and how it should be done. Results, habits, and a growth plan are all taken into consideration during this performance planning conversation (Smither and London, 2009). Individual goals that are drawn from team goals and an accepted work description can be developed collaboratively by management and employee, according to Torrington et al. (2008). Instead of being task-oriented, these objectives are outcome- or results-oriented. They are tightly defined and include measures to be assessed. The objectives are designed to stretch the individual, and offer potential development as well as meeting business needs. The crucial issue concerning a common understanding of performance implies that giving the employee a job description or set of objectives is insufficient. Expectations for performance must be clear and, where feasible, include the employee's input.

Expressing employees have more freedom to choose the best course of action once they start working on a problem when objectives are presented as "what" statements rather than "how" statements. Utilizing "what" statements and include employee feedback will probably result in more employee ownership and commitment (Torrington et al. 2008). Since this stage of the performance management process is crucial for building the groundwork for a successful evaluation of performance at the conclusion of it, performance objectives should be sufficiently SMART. Performance targets should be Smart enough since this step of the performance management process is an essential step in laying the ground work for effective review of performance at the end of the performance appraisal period. The term SMART refers to (Armstrong and Taylor 2014)

Specific: Clearly state what needs to be done, when it needs to be done, who has to do it, and how much needs to be done.

Measurable: If feasible, employ several metrics, such as quantity, quality, and time cost and size. Assure that there is a plausible path to success and that the odds of getting there are reasonable.

Realistic: There shouldn't be any insurmountable external factors that prevent the employee from completing the target, and the difficulty of the task should be in line with the individual's experience and capabilities.

Time-bound: Be explicit about when performance targets need to be accomplished. Goals are often intended to be accomplished.

2.3.3 Performance execution

According to Grote (2002) once the performance planning phase has been completed, it's time to get the job done - to execute the plan. For the individual, the critical responsibility in this stage is getting the job done - achieving the objectives. There are, however, several others: Solicit performance feedback and coaching, communicate openly with your manager on progress and problems in achieving objectives, update objectives as conditions change, complete the development plan, and keep track of achievements and accomplishments and actively participate in the midterm review meeting.

Essentially, performance execution consists of two major responsibilities for the manager. The first is to create the conditions that motivate people to perform at an excellent level. The other is to eliminate performance problems when they arise. The manager also has some other responsibilities in the performance execution: maintaining performance records, updating objectives as conditions change, providing feedback and coaching for success, providing development experiences and opportunities and reinforcing effective behavior and conducting a midterm review meeting (Grote,2002).

Ongoing performance feedback and coaching is one of the factors that must be present in performance execution stage. The employee should not wait until the review cycle is over to solicit performance feedback. Also, the employee should not wait until a serious problem develops to ask for coaching (Aguinis, 2013).

According to Aguinis (2013) communication with supervisor is also another factor in this stage of performance management cycle .Supervisors are busy with multiple obligations. The burden is on the employee to communicate openly and regularly with the supervisor. Collecting and

sharing performance data is also important so that the employee should provide the supervisor with regular updates on progress toward goal achievement, in terms of both behaviors and results. The employee should engage in an ongoing and realistic self-appraisal so that immediate corrective action can be taken if necessary

Although the employee has primary responsibilities for performance execution, the supervisor also needs to do his or her share of the work (Smither and London, 2009). While the employee is working to achieve the performance agreed, the manager retains a key enabling role which includes organizing the resources, providing off-job training, dealing with unforeseen barriers, sharing „inside“ information, ongoing coaching and constructive feedback (Torrington, Hall & Taylor, 2008).Smither & London (2009) also stated that supervisors have primary responsibility over the following issues:

Observation and documentation - supervisors must observe and document performance on a daily basis.

Updates - as the organization’s goals may change, it is important to update and revise initial objectives, standards, and key accountabilities and competency areas.

Feedback - feedback on progression toward goals and coaching to improve performance should be provided on a regular basis, and certainly before the review cycle is over (Smither & London, 2009).

Resources - supervisors should provide employees with resources and opportunities to participate in development activities. Supervisors also have a responsibility to ensure that the employee has the necessary supplies and funding to perform the job properly.

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

2.3.4 Performance Assessment

Performance assessment remains an essential part of managing an organization and the people within it. The crucial parts of the assessment process are to provide accurate feedback of assessment and to link assessment to jobs and organizational objectives (Rowley & Jackson, 2011). Smither & London (2009) also agreed that in the assessment phase, both the employee and the manager are responsible for evaluating the extent to which the desired behaviors have been displayed, and whether the desired results have been achieved. Although many sources can be used to collect performance information (e.g., peers, subordinates), in most cases the direct supervisor provides the information (Ibid). Aguinis (2013) summarizes the importance of performance assessment and involvement of employee and managers as: the core of any performance management system is the assessment of performance. This also includes an evaluation of the extent to which the goals stated in the development plan have been achieved. It is important that both the employee and the manager take ownership of the assessment process. When both the employee and the supervisor are active participants in the evaluation process, there is a greater likelihood that the information will be used productively in the future.

2.3.5 Evaluation of Performance

The phase of a successful performance management system is the performance review. The discussion comprises the employee and the management going over the manager's performance evaluation paperwork. created. With the performance review meeting, the performance management process both ends and starts over. The meeting starts out with a review of the individual's performance over the previous year and an assessment of how well the development plan has worked. The appraiser and the individual decided on a time to build the plan for the following year's development, goals, and objectives at the conclusion of the meeting (Grote, 2002).

According to Rowley and Jackson (2011), performance review is the formal evaluation phase that is concentrated on goal and target attainment, as well as how performance may be improved and developmental requirements. At the conclusion of the year, a formal review meeting usually takes place; A mid-year review might occasionally be included. Evaluation of an employee's performance refers to comparing the employee's actual performance to the criteria they have set for themselves as well as their historical performance. Performance feedback is then given to the

employee (Dessler, 2013). During this phase, the manager and employee will meet to discuss their evaluations. The meeting is crucial because it offers a formal environment where the

Employee receives performance feedback, which is seen as a review of the past, including the actions taken (results) and the behaviors displayed (behaviors) (Smither & London, 2009). Torrington et al. (2008) assert that periodic formal reviews are required to focus on challenges with development and to inspire the worker. Additionally, it is necessary to review and evaluate each year how well goals have been achieved; this could have an impact on compensation. According to Armstrong and Taylor (2014, p. 338), performance reviews are as follows:

"Performance reviews should be grounded on the actual performance of the individual. It is specific, not abstract, and it enables managers and employees to jointly look favorably at how performance might improve going forward. and how any issues with fulfilling goals and performance requirements may be fixed. People should be urged to evaluate their own performance and act as change agents to enhance their outcomes. The proper enabling role for managers is coaching, offering support, and providing guidance."

Given that feedback has been given often, the official performance review session should just consist of a summary of what has happened over the rating period. In other words, the performance assessment shouldn't include any surprises. Managers attending this meeting should talk with employees about their evaluations, stories, and the reasons behind the assessment made (Pulakos, 2004). According to Pulakos (2004), performance review sessions are a wonderful opportunity to schedule staff development initiatives. In some companies, the performance review session also includes discussion of salary, promotion choices, and other administrative considerations. In some, distinct meetings are convened to talk about administrative decisions. To facilitate a more honest conversation regarding employee development needs, awards or other outcomes will not be brought up during this session. Practically speaking, though, scheduling can be challenging. Supervisors and workers participate in several performance management meetings to address various components of the process (e.g., evaluations, development, and rewards).

2.3.6 A development strategy

Two key outcomes—rewards and development—follow from an efficient performance management system, as stated by Stredwick (2005). London and Smither According to (2009), effective performance management also requires strong development planning, thus it's crucial that the employee and the supervisor reach agreement on a plan before the review cycle.

Stredwick (2005) distinguished two types of development. The first is professional advancement, where performance data may affect promotion choices, frequently in a significant way. The second is an employee's personal development plan to strengthen any areas of performance that need improvement. In other words, a training requirements analysis is carried out using the performance management system. This strategy must at the very least specify the areas that require improvement and the objectives that must be met in each one. Typically, development plans incorporate both outcomes and behaviors (Aguinis, 2013).

Reyna & Sims (1995), referenced by Smither and London (2009), noted that reaching the development plan's objectives enables employees to stay current with changes in their industry or profession. Such plans highlight a worker's accomplishments and opportunities for improvement, and they offer a strategy for enhancing areas of weakness and enhancing areas of strength. By encouraging a culture of ongoing learning and professional development, improving employee performance advances the organization's goal helping to sustain employee performance at a level which meets or exceeds expectations; enhancing job or career-related skills, knowledge and experience, enabling employees to keep abreast of changes in their fields, promoting affirmative action objectives and motivating employees (Mahapatro, 2010).and improves the general caliber of its workforce; Employee skill, knowledge, and experience growth is a crucial part of the performance management process.

At every level of the performance management process, performance development plans may be taken into account. The creation procedure provides an additional chance to collaborate in order to enhance or expand upon performance and contribute to corporate effectiveness (Mahapatro, 2010).Plans for personal growth are based on information of what people do, what they have accomplished, what knowledge and skills they now possess, and what knowledge and skills they

require. A personal development plan will not only contain formal training but also a wider range of development activities, such as self-directed learning, coaching, mentoring, and project management. employment, job growth, and job enrichment (Armstrong,2006).Stages of personal development planning, according to Armstrong and Taylor (2014), include: analyzing the existing situation and growth requirements, Set objectives, Create an action plan, then carry it out. Personal development planning is done by people with management's advice, support, and assistance, typically in the form of performance and development evaluations.

2.3.7 Performance-Based Compensation

All organization employees must have a common concept of and responsibility for rewarding performance as part of their engagement in and commitment to their own personal growth. As Rowley & Jackson mention (2011) The methodical process of connecting performance goals with the corresponding incentives is known as rewarding. This can come in the form of merit pay, commissions, incentive compensation, and so forth. It is crucial to discuss how PM helps the workers since it is impractical to expect them to join in a partnership if there are no advantages for them. PM is a process that is done in cooperation with the employees.

The following sentence succinctly expresses that reward:

“Managers must choose who gets raises, bonuses, and other tangible incentives based on individual performance throughout the reward review process. Because of these factors, the situation might be unpleasant and confrontational. There will certainly be winners and losers, and accusations of unjust treatment are a possibility. However strong a plan may be, these issues are always likely to arise, thus it is obviously crucial to devote consideration to preparation and practice to make sure that any program for reward review is as fair and effective as it can be. Effectiveness of incentives has depended on being able to connect team or individual performance to meaningful rewards, having awards provided promptly, and having rewards given near to performance.”

Employee performance may be improved when they embrace the incentive schemes and trust in the performance metrics (Smither & London, 2009).Reward is concerned with how actions should be acknowledged by others Performance. The establishment of a high-performance culture is one

of HRM's primary objectives, and management and reward management are two areas that are directly related to this objective (Armstrong and Taylor, 2014).

If done correctly, performance management may reward individuals by providing chances for achievement, the chance to expand skill sets, and career path advice. These are all non-financial incentives that can promote workplace and organizational engagement and have a more profound, long-lasting effect than monetary incentives like performance-related compensation. To increase commitment and boost job engagement, performance management may offer a wide variety of rewards. These incentives may come in the form of acknowledgment from constructive criticism, chances to succeed, room to grow as a person, and career-planning advice. All These are non-monetary rewards that have the potential to have an even greater and more long-lasting effect than monetary ones (Armstrong, 2006).

2.4 Problems with the performance management system

In the current corporate climate, performance management concerns in businesses occur in various forms, and there is no magic solution. Instead, specific efforts must be developed to address these issues. (Modified from Dr. Marko Saravanja's (2010) work.)

2.4.1. Inadequate Alignment

The first issue is the lack of alignment brought on by different organizational procedures being developed independently. The relationship between operational planning, budgeting, and strategy creation is produced using various frameworks and by various groups of individuals. Since there is no congruence between individual performance, departmental performance, and organizational delivery in the performance management system, all systems fall back on financial measurements.

2.4.2. Inadequate measurement

The second issue is the development of subpar measurements at various organizational levels. Many times, objectives are defined, but no pertinent measures are implemented. Other times, noData can be gathered or stored as proof to monitor performance.

2.4.3. The dedication of the leadership and management

Integrating and aligning a management system to produce a thorough performance management system is significantly impacted by the leadership and management problem. Success in performance depends on leadership and management's commitment to and knowledge of the prerequisites for developing a workable performance system.

2.4.4. Monitoring the system for performance

Managing a performance system in an organization calls for a structured approach; it calls for the company will follow a single master plan divided into pertinent components and functional domains. The contracting, measurement development, and assessment processes must be well understood and applied consistently by management at all levels. Second, management must understand that performance management is a daily activity that is tracked and reported at certain intervals through reviews and evaluations, not an event.

2.4.5. Dealing with mediocre performance

The management of subpar performance is often a reactive activity, but it is frequently delayed and as a result becomes a tough to make relevant debate. Another rationale Lack of reliable measurements and the timely gathering of the necessary proof and measurement data causes bad performance to go unmanaged.

2.4.6. Skill Limitation

To use the performance management system, all participants must have the necessary knowledge, attitudes, and abilities. The following are crucial abilities needed: the creation of performance indicators, key outcomes areas, core management competences, and performance agreements. Performance indicators are measured, results are communicated, and feedback is received. The performance management system is monitored and evaluated. To guarantee the ongoing growth of performance management system users, proactive training and development interventions should be put into place. It is important to place a special emphasis on behavioral and soft skills while evaluating performance.

2.5 Theoretical Review

A theoretical review of the research on the challenges facing financial institutions in adopting a performance management system in case of the Commercial Banks of Ethiopia under Nifas silke district could involve examining relevant theories and models that could help to explain the challenges and identify potential solutions. Here are a few examples of theories and models that could be reviewed:

Goal-setting theory: Goal-setting theory suggests that setting clear and specific goals can motivate individuals to perform at a higher level. In the context of the Commercial Banks of Ethiopia, this theory could be used to help explain the importance of setting clear performance goals and objectives for employees, departments, and teams, and how this can help to overcome challenges related to employee motivation and performance.

Expectancy theory: Expectancy theory suggests that individuals are motivated to perform when they believe that their efforts will lead to a desired outcome, and that they will be rewarded for their performance. In the context of the Commercial Banks of Ethiopia, this theory could be used to help explain the importance of providing incentives and rewards that are tied to specific performance outcomes, and how this can help to overcome challenges related to employee motivation and engagement.

Social exchange theory: Social exchange theory suggests that individuals are motivated to perform when they feel that their efforts are recognized and appreciated, and that they are valued by the organization. In the context of the Commercial Banks of Ethiopia, this theory could be used to help explain the importance of providing regular feedback and recognition to employees, and how this can help to overcome challenges related to employee motivation and engagement.

Balanced scorecard: The balanced scorecard is a strategic management tool that helps organizations to align their performance metrics with their overall strategic objectives. In the context of the Commercial Banks of Ethiopia, the balanced scorecard could be used to help overcome challenges related to setting clear performance goals and objectives, and to ensure that performance metrics are aligned with the bank's strategic objectives.

Feedback models: Feedback models provide a framework for providing effective feedback to employees, including both positive feedback and constructive feedback for improvement. In the context of the Commercial Banks of Ethiopia, feedback models could be used to help overcome challenges related to providing clear and actionable feedback to employees, and to help employees develop the skills and knowledge they need to achieve their performance goals.

By reviewing these and other relevant theories and models, researchers can gain insights into the challenges facing financial institutions in adopting a performance management system in the Commercial Banks of Ethiopia, and identify potential strategies for overcoming these challenges and achieving success in the implementation of such a system.

2.6 Empirical Analysis

An empirical review of the research on the challenges facing financial institutions in adopting a performance management system in case of the Commercial Banks of Ethiopia under Nifas silk district could involve examining existing literature and research studies on the topic. Here are a few examples of empirical studies that could be reviewed:

Alemu and Belachew (2019) conducted a study on the challenges of implementing a performance management system in the Ethiopian banking sector, including the Commercial Banks of Ethiopia. The study identified challenges such as lack of employee buy-in, inadequate training and development, and limited resources for implementing the system. Gebrehiwot and Gebremariam (2018) conducted a study on the impact of performance management systems on employee motivation in the Ethiopian banking sector, including the Commercial Banks of Ethiopia. The study found that while performance management systems can have a positive impact on employee motivation, there are challenges in implementing the systems effectively, such as lack of clarity on performance goals and objectives. Tadesse, Gebreslassie, and Tesfaye (2017) conducted a study on the implementation of performance management systems in the Ethiopian banking sector, including the Commercial Banks of Ethiopia. The study identified challenges such as lack of top management support, inadequate communication and feedback, and resistance to change among employees. Mekonnen and Birhanu (2019) conducted a study on the challenges of implementing a balanced scorecard in the Ethiopian banking sector. The study found that while the balanced scorecard can be an effective performance management tool, there are challenges in implementing

it effectively, such as lack of employee involvement in the development of performance metrics. Bayou, Kassahun, and Adane (2020) conducted a study on the impact of performance management systems on employee performance in the Ethiopian banking sector. The study found that while performance management systems can have a positive impact on employee performance, there are challenges in implementing the systems effectively, such as lack of clarity on performance goals and objectives.

By reviewing these and other empirical studies, researchers can gain insights into the challenges of adopting a performance management system in the Commercial Banks of Ethiopia, as well as potential strategies for overcoming these challenges and achieving success in the implementation of such a system.

Overall, these studies highlight the importance of addressing challenges related to employee buy-in, communication and feedback, and resource constraints in order to implement a performance management system effectively in the Commercial Banks of Ethiopia under Nifas silk district. By addressing these challenges, financial institutions can improve employee motivation and performance, and contribute to overall organizational success.

2.7 Conceptual framework

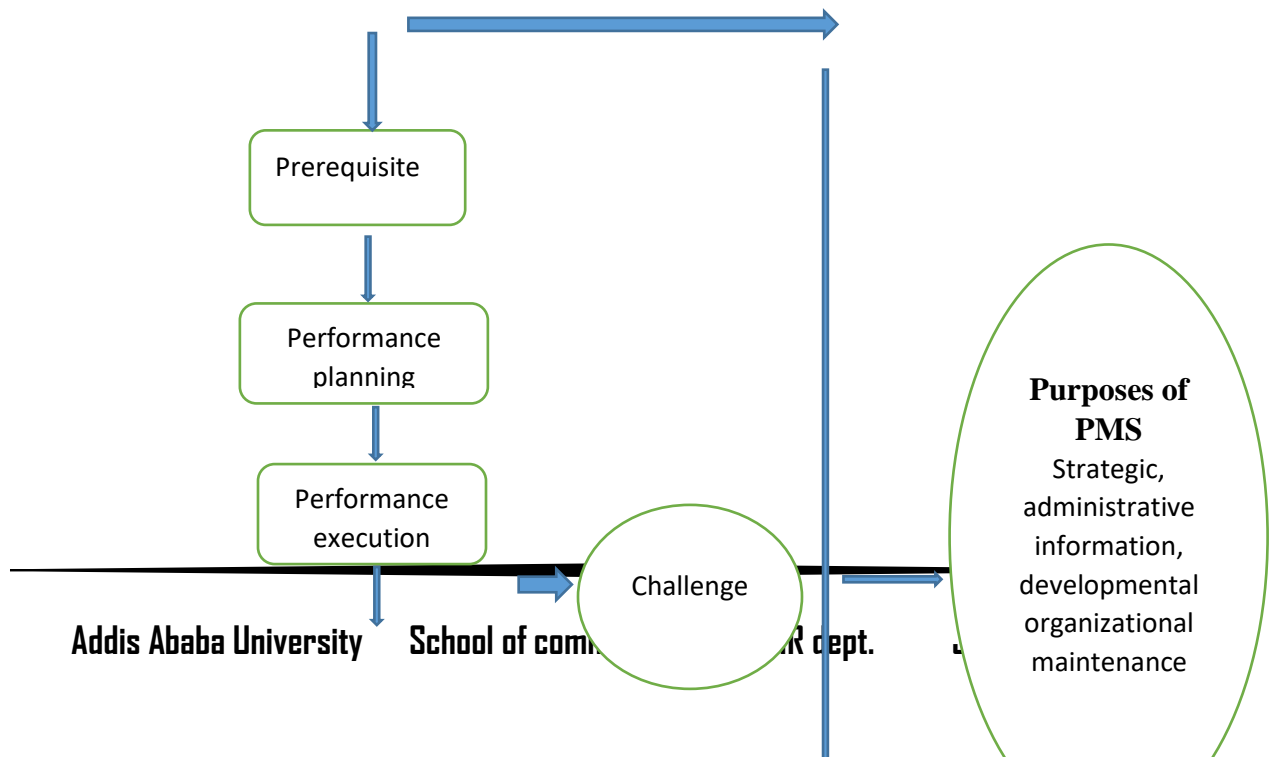
A conceptual framework for the research on the challenges facing financial institutions in adopting a performance management system in the case of the Commercial Banks of Ethiopia could involve identifying the key factors that contribute to the successful implementation of a performance management system, and how these factors can be influenced by various challenges. Here is an example of a conceptual framework:

1. Key factors for successful implementation:
 - a. Clear performance goals and objectives
 - b. Effective communication and feedback
 - c. Employee buy-in and motivation
 - d. Top management support and commitment
 - e. Adequate resources and training
2. Challenges facing financial institutions:

- a. Lack of clear performance goals and objectives
 - b. Inadequate communication and feedback
 - c. Resistance to change among employees
 - d. Limited resources for implementing the system
 - e. Insufficient support and commitment from top management
3. Strategies for addressing challenges and achieving success:
- a. Clearly communicate performance goals and objectives to employees
 - b. Provide regular feedback and recognition to employees
 - c. Involve employees in the development and implementation of the system

This conceptual framework used to guide the research on the challenges facing financial institutions in adopting a performance management system in the Commercial Banks of Ethiopia. Researcher use this framework to identify the key factors that contribute to the successful implementation of a performance management system and how these factors can be influenced by various challenges.

They can also use this framework to identify potential strategies for overcoming these challenges and achieving success in the implementation of such a system in the Commercial Banks of Ethiopia.



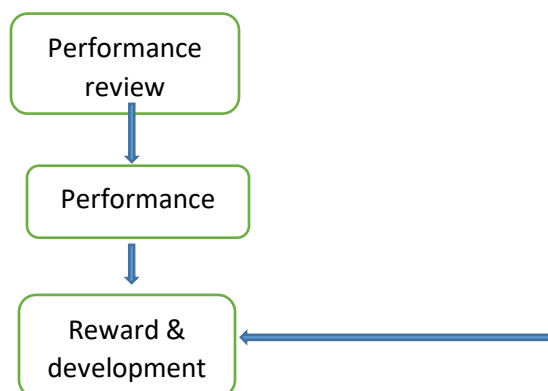


Figure 1: conceptual frame work

2.8 Research Gap

Here are potential research gaps related to the challenge of performance management practice in the Commercial Bank of Ethiopia under Nifas silk district:

Effectiveness of the system in promoting employee engagement and motivation: Employee engagement and motivation are critical factors in driving employee performance and organizational success. Therefore, it is important to understand how effective the performance management system is in promoting employee engagement and motivation in the Commercial Bank of Ethiopia. This research gap could be explored by conducting surveys or interviews with employees to gather their perceptions of the performance management system, and by analyzing performance data to determine whether there is a correlation between the system and employee engagement and motivation.

Impact of the performance management system on employee performance and organizational outcomes: The ultimate goal of a performance management system is to drive employee performance and contribute to organizational success. However, it may be unclear how effective the performance management system is in achieving these goals in the Commercial Bank of Ethiopia. This research gap could be explored by analyzing performance data to determine whether there is a correlation between the performance management system and employee performance

and organizational outcomes, and by conducting surveys or interviews with managers to gather their perceptions of the system's impact.

Factors contributing to or inhibiting the effectiveness of the performance management system:

There may be a range of factors that contribute to or inhibit the effectiveness of the performance management system in the Commercial Bank of Ethiopia. These factors could include organizational culture, leadership style, employee attitudes, and external factors such as regulatory requirements. This research gap could be explored by conducting qualitative research such as focus groups or interviews to gather insights from employees and managers on the factors that impact the effectiveness of the performance management system.

Opportunities for improvement in the performance management system: Even if the performance management system is effective overall, there may be opportunities for improvement to further enhance employee engagement, motivation, and performance. This research gap could be explored by conducting surveys or interviews with employees and managers to gather their feedback on the performance management system, and by analyzing performance data to identify areas where improvements could be made.

By addressing these research gaps, researcher tried to identify opportunities for improvement in the performance management system in the Commercial Bank of Ethiopia, and contribute to the development of more effective and efficient performance management systems in financial institutions more broadly.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The research methodology for the thesis will combine quantitative and qualitative data collection and analysis techniques to gain a comprehensive understanding of the research problem. The quantitative data will be collected through a survey of employees in commercial bank of Ethiopia

under Nifas silke district, while qualitative data will be gathered through semi-structured interviews managers.

3.1 Research Design and Approach:

The research design and approach for the study entitled "Challenges Facing Financial Institutions in Adopting Performance Management practice in Case of Commercial Banks of Ethiopia" would likely use a descriptive research design, which aims to describe the current state of performance management systems in commercial banks in Ethiopia, and identify the challenges and potential solutions for implementing such systems.

3.2. Methods of Approach

At order to evaluate employee performance management techniques and issues in Commercial Bank of Ethiopia as they currently exist, this study employed a descriptive kind of research. The major goal of this form of study is to describe the situation as it is at the moment (Sekaran, 2003). Descriptive research may at times be concerned with the relationship between what is, what existing, and some prior event that has influenced or affected a current state or occurrence (Cohen, Manion & Morrison, 2005).

3.3 Description of the Study Design

The thesis focuses on the implementation of Performance Management System (PMS) in the commercial bank of Ethiopia, with a particular emphasis on the Nifas Silk district. The study will analyze the following variables:

1. **PMS:** This variable encompasses the collection of processes and tools employed to assess, monitor, and manage employee performance in an organizational framework. The study will delve into the constituent elements of PMS, including goal-setting, performance measurement, feedback, and coaching.
2. **Adoption:** This variable refers to the process of integrating a new system or technology into an existing organizational structure. The study will assess the extent to which PMS has been adopted in the Commercial Bank of Ethiopia, specifically in the Nifas Silk district.

3. **Challenges:** This variable is concerned with the difficulties or barriers that impede the successful implementation of PMS. The study will identify and examine the various challenges faced by the Commercial Bank of Ethiopia, particularly in the Nifas Silk district, in its adoption of PMS. These may include factors such as resistance to change, resource constraints, inadequate training, and cultural disparities.

4. **Employee Performance:** This variable pertains to the level of productivity, efficiency, and effectiveness exhibited by employees in the workplace. The study will investigate how the adoption of PMS in the Commercial Bank of Ethiopia, particularly in the Nifas Silk district, affects employee performance.

5. **Organizational Performance:** This variable refers to the overall effectiveness and efficiency of an organization in realizing its goals and objectives. The study will examine how the adoption of PMS in the Commercial Bank of Ethiopia, specifically in the Nifas Silk district, influences the bank's overall organizational performance.

3.4 Sampling and Density

3.4.1 Target population

The Commercial Bank of Ethiopia has more than 1,700 branches open and operating throughout Ethiopia. To even think that this research would have to include all of these branches would be ridiculous. The personnel of bank branches in the Addis Ababa city Nifas Silk District comprised the study's target demographic. The study's demographic target comprises of bank personnel that are based in Nifas Silk sub city in Addis Ababa city administration.

Table 3.1 Target population and sample size distribution

District	Target population	Branch	Sample data distributed
Nifas Silk District	6	Abu Sera Branch	3
Nifas Silk District	7	Adea Branch	5
Nifas Silk District	9	Adey Abeba Branch	4
Nifas Silk District	6	Akaki Branch	4
Nifas Silk District	8	Akaki Gebeya Branch	3
Nifas Silk District	6	Akaki Kela Branch	4

Nifas Silk District	6	Babo Gaya Branch	5
Nifas Silk District	5	Beseka Branch	4
Nifas Silk District	5	Bishoftu Menahriya	7
Nifas Silk District	5	Chefe Donsa Branch	4
Nifas Silk District	6	Cheralia Branch	3
Nifas Silk District	7	Crown Condominium	4
Nifas Silk District	9	Dire Jitu Branch	3
Nifas Silk District	6	Dukem Branch	5
Nifas Silk District	8	Eastern Industry Zone	2
Nifas Silk District	6	Ertu Lebu Branch	2
Nifas Silk District	6	Firdaws CBE Noor	3
Nifas Silk District	4	Babo Gaya Branch	4
Nifas Silk District	3	Beseka Branch	3
Nifas Silk	3	Chefe Donsa Branch	3
Nifas Silk District	4	Maremia Bet Branch	4
Nifas Silk District	4	Mekanisa Condomin	4
Nifas Silk District	4	Mekanisa Goodshep	4
Nifas Silk District	6	Mekanissa Mazoria	4
Nifas Silk District	7	Mekenisa Branch	4
Nifas Silk District	9	Melkashene Mazoria	5
Nifas Silk District	6	Mesjid Ar Heman	3
Nifas Silk District	8	Nefas Silk Branch	5
Nifas Silk District	6	Nejashi CBE Noor	4
Nifas Silk District	6	Nesir Mesjid noor	4
Nifas Silk District	5	District Facilities Management Support	3
Nifas Silk District	5	District HR Business Partnering	3
Nifas Silk District	5	Nifas Silk District IS	3
Nifas Silk District	6	District Legal Service	4
Nifas Silk District	7	Maremia Bet Branch	5
Total	154+51=205		
Remark: The 51 are the branches mangers under the same district but not be interviewed			

3.4.2 Sampling Techniques and Methods

To choose samples from the intended population, the researcher employed a stratified random sampling procedure. (Saunders, Lewis, and Thornhill (2009)) claim that segmenting the populace into a sample is more likely to be representative if it has a number of pertinent strata, which may guarantee that each stratum is fairly represented in the sample. Once the branches strata had been determined, a simple random sampling procedure was used. Using a goal directed sample method, individuals who had direct control over the performance management system were chosen

(managers of the branches). Using this method enable to have in depth knowledge from those who were in a position to give about the practice of performance management system at the bank.

3.4.3 Sample Size

Consequently, by utilizing the sample size the researcher has proportionally computed the overall sample size and for the various divisions using a mathematical procedure. Sample size to collect data through questionnaire for this research was determined by using Yamane's (1967) formula.

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

$$n = \frac{205}{1 + 205(0.05)^2} \quad n = \frac{205}{1.5125} = 136$$

Where:

n = the sample size

N=the study population

e = the level of precision

1 = designates the probability of the event occurring

3.5 Sources and types of Data

Data Collection: The data for the study could be collected through a combination of primary and secondary sources. Primary data could be collected through surveys, interviews, and focus groups with employees, managers, and other stakeholders in financial institutions and commercial banks in Ethiopia. Secondary data could be collected through a review of relevant literature, reports, and other documents related to performance management systems and the banking industry in Ethiopia.

Both primary and secondary data collection techniques were employed in this investigation. The main data are those that are unique in nature, whilst secondary data are those that have previously been gathered by another party (Kothari, 2004). The managers of the Commercial Bank of

Ethiopia's branches in Addis Ababa city Nifas Silk District in different branches provided the main data through interviews and questionnaires. And to obtain specific details about the performance management system from both secondary data may be gathered from a variety of linked literatures, performance management system policies and procedures, corporate handbooks, journals, and articles. Secondary data for this study was gathered from a variety of publications, journals, papers, the bank's PMS protocol, the CBE organizational guide, and the organization's open website.

3.6 Data harvesting techniques

According to the sample size from each population category, the questionnaires were given to the bank personnel separate components made up the questionnaire; the first portion deals with the following portion deals with inquiries pertaining to the study subject after each respondent's personal profile. The survey included several open-ended questions as well as closed-ended ones, including a five-point Likert scale.

Following the distribution of the questionnaires, the researcher gathered and organized the returned forms before compiling the data for analysis and discussion. Finally, using a statistical tool for social sciences, the acquired data was added to a data set and prepared for analysis (SPSS). To obtain information on the matter from the bank management, an interview has been performed the results were summarized and interpreted.

3.7 Descriptive Tools of Analysis

The analysis of data requires the selection of appropriate descriptive tools that can accurately represent the data and must be interpreted in the context of the research objectives and limitations. The choice of descriptive tools will depend on the research questions, data type, and level collected. The descriptive tools of analysis that could be used are listed below however not all technique are applied for this thesis:

- 1. Frequency distribution:** This tool summarizes the distribution of a variable by displaying the number or percentage of observations that fall into each category. In this study, it could be used to summarize the number and percentage of employees who have experienced challenges in adopting PMS and how frequently these challenges occur.

2. Mean and standard deviation: These tools describe the central tendency and variability of a variable. They could be used to describe the average level of adoption of PMS in the Commercial Bank of Ethiopia, particularly in the Nifas Silk district, and the degree of variation in adoption across different departments or units.

3. Correlation analysis: This tool examines the strength and direction of the relationship between two variables. It could be used to examine the relationship between the challenges faced in adopting PMS and organizational performance at the Commercial Bank of Ethiopia, particularly in the Nifas Silk district.

4. Regression analysis: This tool examines the relationship between a dependent variable and one or more independent variables while controlling for other factors that may affect the dependent variable. It could be used to examine the effect of challenges in adopting PMS on organizational performance while controlling for other factors such as employee motivation, training, and experience.

5. Bar charts and line graphs: These tools visually represent the distribution and trends of data. They could be used to illustrate the frequency and severity of challenges faced in adopting PMS at the Commercial Bank of Ethiopia, particularly in the Nifas Silk district, the level of organizational performance over time, and the relationship between challenges in adopting PMS and organizational performance.

6. Histograms: This tool displays the distribution of a continuous variable. It could be used to show the distribution of variables such as employee satisfaction, productivity, and efficiency, which are indicators of organizational performance.

7. Box plots: This tool displays the distribution of a variable and identifies outliers. It could be used to show the distribution of variables such as financial performance, customer satisfaction, and employee satisfaction, and to identify any extreme values or outliers.

8. Scatter plots: This tool displays the relationship between two continuous variables. It could be used to show the relationship between challenges in adopting PMS and different indicators of

organizational performance, such as financial performance, customer satisfaction, and employee satisfaction.

9. Tables and charts: These tools present data in a clear and concise manner. They could be used to summarize the key findings of the analysis, including the frequency of challenges in adopting PMS, the level of organizational performance, the relationship between challenges in adopting PMS and organizational performance, and the factors that affect organizational performance.

3.7 Data Analysis

Utilizing descriptive statistics like frequency, percentage, and mean allowed for a concise summary and analysis of the information received from the questionnaire. After then, tables were used to further characterize the data. Clarification. The information obtained from the interview and the document review has been examined in accordance with the main questions of the study. The results were then triangulated in accordance by combining and summarizing them with the findings from the quantitative data (Cohen, Manion & Morrison, 2005).

3.8 Validity and Reliability

3.8.1 Validity

If the findings are indeed about what they seem to be about, that is what validity is all about. ((2009) Saunders, Lewis & Thornhill). It describes how well the measuring tool, in this case the measurement questions in the questionnaire, covers the investigation inquiries. A number of criteria can be used to determine what “sufficient coverage.” is One involves carefully defining the research through a review of the literature and, when applicable, prior consultation with others (Saunders, Lewis & Thornhill, 2009). The questionnaire was created in accordance with the literature review to increase the research's validity.

Utilizing the Cronbach's alpha model to assess the reliability of the questionnaire data is a recommended approach. The Cronbach's alpha is a statistical technique that evaluates the internal consistency of a questionnaire or survey, and is widely used to assess the reliability of data gathered through surveys or questionnaires.

To employ the Cronbach's alpha model, the researchers must first choose a set of questions from the questionnaire that are intended to measure the same construct (such as conflict management practices). Next, the Cronbach's alpha model would be utilized to evaluate the degree of internal consistency among the selected questions. A high value of Cronbach's alpha indicates that the questionnaire is reliable and consistent. Generally, a value of 0.7 or higher is deemed acceptable for research purposes, although it is desirable to have higher values.

3.9 Ethical Factors

Ensuring that the data collected for the study is unbiased is crucial for the validity and reliability of the research findings. Here are some ways the study can ensure data collected is unbiased:

1. Use a representative sample: The study should use a sample that is representative of the population of interest, which in this case would be employees, managers, and other stakeholders in financial institutions and commercial banks in Ethiopia. This can help to ensure that the data collected is generalizable and unbiased.
2. Avoid leading questions: The study should avoid asking leading questions that could influence the responses of participants. Questions should be neutral and open-ended to allow participants to express their views freely without being influenced by the researcher's biases.
3. Use multiple sources of data: The study should use multiple sources of data, such as surveys, interviews, and focus groups, to cross-validate the data and reduce the potential for bias in any one source of data.
4. Train data collectors: The study should train data collectors to ensure they understand the research objectives, data collection methods, and ethical considerations. This can help to ensure that data is collected consistently and without bias.
5. Analyze data objectively: The study should analyze the data objectively, without preconceived notions or biases. This can be achieved by using statistical methods and software to analyze the data, and by involving multiple researchers in the analysis to reduce the potential for bias.

By using these strategies, the study can ensure that the data collected is unbiased and accurate, which can help to ensure the validity and reliability of the research findings.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

In this chapter the data analysis, as well as its interpretation are provided, as was discussed in the earlier chapters, the information was gathered through interviews and questionnaires. The next is a presentation of the descriptive analysis and data interpretations. Analyzing and interpreting the data in accordance with the item mean scores, because these reflect the degree of agreement among participants, which facilitates the interpretation and presenting of conclusions with the aim of developing constructive recommendations.

4.1 Demographic Characteristics of the Respondents

According to the summary in table 4.1, the majority of respondents (68.66%) were men over the age of 21 with more than a year of bank experience. Just 7.55% of respondents had less than a degree, whereas the majority of respondents (81.34%) had a BA in their educational background. These characteristics of the respondents have a beneficial impact on the validity of the study since

their experience, education, and age enable them to score the factors intelligently and fairly. The table 4.1 below shows the respondents' responses in accordance.

Table 4.1 Demographic characteristics of the respondents

Gender	Frequency	Percent
Male	92	68.66
Female	42	31.34
Total	134	100
Age Group	Frequency	Percent
21-30	97	72.38
31-40	32	23.88
41-50	3	2.23
>51	2	1.51
Total	134	100
Educational level	Frequency	Percent
<degree	10	7.55
Degree	109	81.34
Masters	15	11.11
PhD	-	-
Others	-	-
Total	134	100
Service year	Frequency	Percent
<1	-	
1-5	71	52.98
6-10	46	34.3
11-15	12	9.02
>15	5	3.7
Total	134	100

4.2 Purpose of performance management in CBE

The mean score of the data for respondents is shown in Table 4.2 below. The table displayed the mean score, which was 4.04 out of a maximum 5, as well as the mean scores for each of the individual items, all of which were higher than the average score (3).

Table 4.2 Descriptive statistics for purpose of performance management

No		Mean	Std .deviation
1	I am aware of the function of PMS in the bank.	4.02	3.35

2	The organization has a precise definition of the PMS.	3.21	1.18
3	The PMS connects the organizational goals to personal objectives.	3.44	1.17
4	The PMS updates personnel on their performance.	3.29	1.31
5	The PMS informs employees of particular areas that may need improvement.	3.17	3.29
6	The PMS decides who gets promoted and is paid more.	3.29	1.08
7	The PMS offers data that can be used for workforce planning.	3.29	1.27
8	The PMS makes it possible to record significant personnel decisions.	3.6	1.22
9	Average and standard deviation overall	3.35	1.11

Although the mean value of performance management goals in general was higher than the average (3.35), which is regarded as low, as shown in table 4.2, it was still considered low. This shows that although the use of performance management for the aforementioned purposes in the bank was acknowledged by more than half of the employees, it was deemed insufficient. As a result, the majority of employees, with a mean score of 4.02 (87.3%), felt that the bank's PMS has a clear objective. The respondents agreed that the PMS ties the organization's aims with individual goals and that the PMS informs employees how they are doing, as shown in table 4.2, with mean scores of 3.44 (56%) and 3.29 (53.8%), respectively. The respondents also agreed, as seen by the mean score of 3.29, that the PMS provides data that may be utilized to manage the staff, choose who gets promoted, and calculate wage increases. This illustrates how the bank has been utilizing PMS for Strategic Purpose by tying collective and personal objectives together. The system serves as a crucial communication tool for the bank, allowing it to provide accurate and helpful information.

The performance management system is well defined within the organization (3.21), the PMS informs employees of particular areas that may need improvement (3.17), and the performance management systems all have relatively low mean scores. Permit the recording of significant personnel decisions (3.06). This demonstrates that management training programs that attempted to give managers a fundamental understanding of PMS's meaning and methodology were insufficient. Therefore, having a fundamental understanding of and ownership over their primary roles and responsibilities with regard to the performance management of their subordinates and possessing the necessary performance competence has a positive impact on the efficiency of the performance management system of the bank.

These elements can also indicate that the main reason of performance management in CBE was a strategic goal, which is to align the organization's goals with individual goals. In answer to questions from managers, the managers said that because the system was new and still being implemented, it offered a chance for management and employees to communicate clearly defined goals. The majority of the managers claimed that PMS was used to coordinate goals, keep track of personnel data, disseminate information, and determine training requirements.

4.3 Practice of employee performance management at CBE

Analysis of the means and standard deviations for the various stages of performance management approaches yielded an overall mean value of 3.26. (Table 4.3). Results suggested that the majority of the performance management items and stages tended to have low mean values. Workers supported the bank's development of performance management benefits, with a high mean value of 4.3 (table 4.4) and a moderate mean value of 3.58 (table 4.5) for performance planning. Tables 4.6, 4.7, and 4.8, which exhibit low means values for the remaining stages and range from 3.06 to 2.67, suggest that the bank did not execute the stages to their full potential. The standard deviation showed that the spread was small (1.10), indicating that respondents' responses were mostly consistent.

Table 4.3 Practices of employee performance management

No	Practices of employee performance management	Mean	St. deviation
1	Prerequisites /preparing to start the process	4.3	
2	Performance planning	3.58	
3	Performance execution process	2.96	3.6
4	Performance assessment and review	3.03	
5	Development plan	3.06	
6	Reward	2.67	

Here is a detailed examination of the means scores and standard deviations for the stages of PMS

4.3.1 Conditions Required/Getting Ready to Begin the Procedure

The information gathered in relation to the Commercial Bank of Ethiopia's efforts to start the performance management system implementation process is displayed in table 4.4 below. Table

4.4 Answer to "Awareness of the banks' strategic goals, as well as the activities, tasks, goods, and services that are involved in performing my work.

Table 4.4 Response to: familiarity with the banks' mission and vision and banks' strategic goals

NO.		Mean	Std.Deviation		
1	I am familiar with the banks' mission and vision	4.31		.83	
2	I am familiar with the banks' strategic goals and activities, tasks, products, services, and processes of my job	4.29	4.30	.82	.82

From table 4.4 above, it can be inferred that, of the total respondents, the majority (4.31), claimed to be familiar with the mission and vision of the banks. This demonstrates that the majority of CBE workers are familiar with the mission and vision of the bank, yet the mission and goal of their bank were unfamiliar to a few of the staff members. Similar to table 4.4, it showed that, with a mean score of 4.29, the majority of respondents (88.80%) agreed that they understood the strategic objectives, actions, and tasks, as well as the goods, services, and procedures of their jobs at the bank. However, there were still some employees who did not understand these goals, activities, and duties Processes of their job.

Furthermore, the shown mean value of prerequisites/getting ready to begin the performance management process (4.3) showed the presence of strong agreement. The spread was relatively small, as evidenced by the standard deviation, which ranged from 0.83 to 0.82, showing that. The responses provided by responders to the questions in this section were largely consistent. All bank employees were informed of the institute's mission, vision, and objectives, according to an interview with manager-level bank employees. This encourages workers to understand the bank's vision, mission, and goals. Noting the essential elements for a successful PMS implementation, the bank was prepared to begin the procedure and demonstrated that this stage had been thoroughly practiced at CBE.

4.3.2 Performance planning

As indicated in table 4.4 below, 3.86 and 3.61 scores of mean showed the respondents knew the strategic objective of the bank and their work unit very well. From this we can say that most employees were aware of the strategic objective even if some respondent's don't feel so. Regarding individual goal alignment with the strategic objective of work unit as well as the bank,

mean value of 4.01 indicated that the overall strategic objective was properly aligned to units and individuals objectives. The respondents clearly knew the bank's strategic mission and the goal of their work unit, as evidenced by the mean scores of 3.86 and 3.61, as shown in table 4.4 below. This indicates that most employees were aware of the strategic purpose, despite the opinions of some respondents. The mean result of 4.01 in the question of how effectively individual goals were matched with the overarching strategic objective of the work unit and the bank showed that this was the case. The majority of respondents (35%) disagreed that the unit and individual objectives were properly matched with the overall strategic objective.

As a result, many respondents at the bank were aware of what they should do and their duties depending on their response. The 3.29 mean score for agreement on the performance measurement method showed that there was little employee access to the required chances for evaluation and discussion. This extends to adjusting their goals and objectives and taking into account their remarks when they sign contracts if they have differing opinions. This did not meet expectations in the least level by the bank.

Table 4.5 Performance planning

No		mean	Std.Dev
1	I know the strategic objective of the bank	3.86	3.58
2	I know the strategic objective of my work unit	3.61	1.01
3	Individual goal is aligned with the strategic objective of work unit as well as the bank	4.01	.85
4	My responsibilities, what is expected from me is clear	3.98	.97
5	My objectives are measurable, achievable, relevant and time framed	3.33	1.18
6	There is an agreement on individual has to achieve with management	3.42	1.19
7	Agreement is reached at on how performance will be measured	3.29	1.16
	Overall	3.58	1.01

Goals and targets must be precise, measurable, attainable, realistic, and timely (SMART) (things with mean scores of 3.33 and 3.29 respectively), and there must be consensus on how performance will be evaluated (items with mean scores of 3.29 and 3.13 respectively). Due to inadequately tracked and recorded data that results in subjectivity, bias, and limited transparency, which ultimately reduces the effectiveness of the system, respective goals and targets were out of sync

with the bank's goals and objectives, they were not sufficiently SMART, and respective managers' performance-related communications fell short of expectations.

The performance planning stage of the performance management has an illustrated moderate mean value of 3.58, which denotes the presence of above average agreement. The standard deviation of 1.01 demonstrated that responses to the items in this section were consistent among respondents. The major gaps in SMART goal-setting and target-setting, the lack of opportunities for employees to voice their concerns or opinions when signing contractual agreements, and the lack of agreement on how performance will be measured are summarized from the research findings in relation to performance planning. Employee unhappiness and a failure to comprehend the connection between his or her responsibilities and the broader aims and objectives can result from this of the organization.

In order to meet individual, work unit, and organizational goals, the interviewees also mentioned a link between personal aspirations and the bank's strategic goals. Employees respond to specific/stretching, measurable, realistic, relevant, and time-framed goals because, according to the interview, they were not permitted to participate in the planning step. Managers further indicated that at this stage, management and the function holder would come to an understanding over what each must accomplish.

Table 4.6 Descriptive statistics for performance execution process

No		Mean	St. deviation
1	I get ongoing performance feedback / coaching	2.75	2.96
2	Supervisors provide resources to perform the job properly	3.07	1.34
3	Employee communicate openly and regularly with the supervisor to provide the supervisor with regular updates on progress toward goal achievement	3.47	1.24
4	Feedback on progression toward goals is provided on a regular basis to employee	2.86	1.2
5	Coaching to improve performance is provided on a regular basis to employee	2.81	1.16
6	Change in initial objectives, standards, key accountabilities and competency areas are communicated regularly	2.81	1.16
7	Overall	3.58	1.01

4.3.3 Performance execution

The bank made less of an effort to implement the issue of feedback and coaching as a vital part of guaranteeing effective EPMS, as evidenced by the mean scores of the respondents, 2.75, as given in table 4.6 above, indicating that more work is still needed to make it more satisfying. When the performance execution variables were assessed, the employee's open and frequent communication with the boss to give the boss regular updates on progress toward target achievement (3.47) was rated substantially higher. The average score of 3.07 for the variable indicating whether or not my superiors gave me the tools I needed to do my job well demonstrated that, despite their efforts, the tools they gave me were insufficient. This demonstrates the need for supervisors and the requirement for the bank to allocate resources properly in order to function effectively provide adequate resources.

On the other hand, the mean score of 2.81 for the question of whether the employee received regular coaching to boost performance shows that there was no such regular coaching. Study demonstrated coaching as a key contributor to efficient performance.

The bank was in the early stages of management. Similar to how the initial objectives, standards, key accountabilities, and competency areas were changed, the mean score (2.81) for these adjustments had a major influence on performance management because employees were not informed of the changes. On the other hand, the majority of respondents voiced their disapproval of the performance execution stage's implementation, which is depicted in table 4.6 above and had a low mean value of 2.96, which was below average. This implies a propensity for disagreeing with the majority of the claims. The standard deviation (1.17), which showed that the range was rather small, showed that respondents' responses to the questions in this section were generally consistent.

As a result, the gaps in performance execution revealed by the lower rated items, such as failing to provide employees with ongoing performance feedback and failing to inform them of modifications to initial objectives, standards, key accountabilities, and competency areas, were not addressed. Regular communication damages connections, prejudices relationships, and renders

organizations and the supervisor's expectations unachievable as a result of adjustments made, all of which have a substantial negative influence on the overall efficacy of the employee performance management system. At this point, respondents reported that continual coaching and comments were given, but infrequently due to the workload, which validates the employees' response. This indicated that the bank must improve its performance management implementation methods.

4.3.4 Performance Assessment and Review

The average mean and standard deviation for the performance evaluation and review strategy were 3.03 and 1.18, respectively, according to an examination of the means scores. The shown numbers for various performance management phases showed that there was above-average agreement, although it was still regarded as low as the process of reviewing and evaluating performance.

Table 4.7 above demonstrated low respondent agreement on employee performance was assessed based on agreed plan by showing over average 3.08 mean score on the variable pertaining to the employee performance was assessed based on the agreed plan. Participants agreed that the unfair supervisor assessment of performance was present (3.13). While the contribution, capability, and ongoing progress were the main topics of discussion with the supervisor during the evaluation,

A peaceful discussion of the issues can occur. Low mean values of 2.78 and 2.69 were found in the results. This shows that despite the bank's assurances that periodic performance reviews of specific workers were conducted consistently using established standards and supported by somehow objectively documented data, approximately half of the respondents still think the evaluation was biased or subjective. The study showed that there was a gap in properly establishing and explaining terms and conditions of employment that can help justify the responses for addressing Meaningful objectives and encouraging supervisor-friendly conversation.

Targets for the stage of performance planning with a moderate mean score of 3.45, the majority of respondents thought that performance management reviews inspire people to make changes. This finding indicated that employees might be more motivated if they felt their supervisors' evaluations were unbiased, centered on their contributions, capabilities, and ongoing development. A cordial discussion with the boss might also help the staff feel more motivated. In order to increase employee motivation and commitment to offer higher performance, it is important to highlight the

benefits of adopting performance evaluation and review practices as growth tools. The majority of managers concur that reviews inspire staff. The interviewees also claimed that biased evaluations of performance were caused by subjective evaluations as a result of frequent job changes and the system's recent implementation.

Table 4.7 Expressive statistics for performance assessment and review

No		Mean	St. deviation
1	Performance of employees is evaluated in accordance with the set strategy.	3.08	3.03
2	A biased supervisor's evaluation of performance	3.13	1.23
3	The supervisory review is concentrated on the employee's contribution, capability, and ongoing development.	2.78	1.22
4	It is possible to have a cordial dialogue with the supervisor during this time.	2.69	1.22
5	The performance management evaluation drives people to make changes.	3.45	1.32
6	Overall mean and Std.deviation	1.12	1.18

4.3.4 Development plan and Reward

After performance review, any identified shortfall or gap is addressed by providing the required training for the assessed employee. In addition to the trainings, good performances are often reinforced by rewarding employees for their good performance.

Table 4.8 Development plan and reward

No		Mean		St. deviation
1	A staff development plan exists that offers an action plan to strengthen weak areas.	3.04		
2	a development strategy enables staff to maintain keeping up with changes in their field	3.06		1.29
3	Developmental activities, such as self-directed learning, coaching, mentorship, job expansion, and employment enrichment, are available at the bank.	3.08	3.06	1.32
4	The bank's performance management system tries to link rewards with performance.	2.95	2.67	1.29
5	Reward is given shortly after performance	2.39		1.32

Table 4.8 above shows that the employees' low mean values indicate that there were development activities (self-managed learning, coaching, mentoring, job enlargement, and job enrichment) in the bank, as well as a personnel development plan that provided an action plan to improve areas of weakness (3.08). The development plan aggregated mean (3.06) was low (below 3.39) with a standard deviation of 1.29, indicating that respondents' responses to the items in this section were not generally consistent. This suggests the development plan practiced by CBE was not satisfactory.

The bank's performance management system aims to connect rewards to performance, and low mean scores of 2.95 and 2.39 were found to be indicative of this. Results revealed that the majority of staff members disagreed that the system links reward to performance. Also, more than half of the participants thought that rewards were not given in close proximity to performance. The aggregated mean for rewards (2.67) was low (below 3.39) with a standard deviation of 1.32, similar to the development plan.

As a result, the bank did not set up a system and processes to use each employee's performance as an input for a reward and development plan, which of course has substantial implications with regard to the effects of good and bad performance that ultimately influence the bank. Employee buy-in and long-term acceptance of the performance management system this has a significant effect on how motivated employees are to perform. Employees may not fully appreciate the

implications of their performance and fail to fully own it as a result if performance is not linked to reward and growth plans, which is a difficulty in and of itself.

4.4 Challenges of PMS in CBE

In the table 4.9 below, 87.3% (4.02) of participants believed that the organizational, departmental, and individual goals were aligned. The remainder of the study's subjects had remained uncommitted and disagreed with the assertion. Several of these since inadequate measures were created, respondents believe there was a problem at various levels of the organization. This belief was shared by 56.7 % (3.45) of respondents.

Table 4.9 Challenges of PMS

No		Mean		St. dev.
1	There is alignment between individual, departmental and organizational objective	4.02	3.39	1.01
2	At various levels of the organization poor measures are developed	3.45		
3	Employee performance management system is clearly defined in the bank	3.44		
4	Performance managed is based on time measurements and collection of required evidence and measurement data.	2.4		
5	Training and development interventions are implemented to ensure that the users of the performance management system are continuously develop	3.55		

Table 4.9's average mean of 3.39, which was regarded as low, demonstrates that the majority of the aforementioned variables posed difficulties for the bank in implementing PMS. The standard deviation of 1.01 demonstrated that responses to the items in this section were consistent among respondents. The researcher attempted to discuss the bank's well defined employee performance management system based on responses from bank workers. In this regard, a score of 3.44 indicates that the majority of respondents (56%) have agreed. Although the majority of participants thought that the bank's staff performance management system was clearly defined in the aforementioned statement, they also felt that there was a problem with performance management on time measures. (2.4) gathering of measurement data and the necessary evidence.

The next query covered the implementation of training and development interventions to guarantee that PMS users were consistently improved. In connection with this, employees utilizing the performance management system must have the necessary knowledge, attitudes, and abilities. The respondents' moderate mean agreement with the statement was 3.55. This demonstrates that the bank must focus on training and development related to PMS.

This may also be connected to challenges with the current situation regarding the element of the performance management system, as reported by the respondents, which include: limited knowledge of the intent, specifications, and consequences of performance as well as inadequate training limited management and orientation. Before launching the system, a communication plan is necessary because effective or successful implementation of the PM system necessitates a clear understanding of how the system functions and its benefits from the many viewpoints of everybody concerned.

Additional difficulties came from the open-ended response to the advantage obtained for the bank and employees; the majority of respondents did not think the PMS had a benefit for the bank's employees. According to the respondents, the bank is the only party that benefits from supplying base to keep track of employees and oversee them. Since employees are the ones who actually implement the PMS, their attitudes have a significant impact on the system. It will be challenging for an organization to get the intended output from a system if no one in the organization believes in and takes ownership of that system. Since it will be highly challenging to get the required results, the bank must make a lot of efforts to change the employees' attitudes and perspectives regarding the system.

Additional issues related to the current performance management system that were disclosed by the interviewees included: insufficient training and awareness of the goals, demands, and repercussions of performance management; lack of confidence and continuity of the system due to its youth and narrow focus; reluctance to change and lack of support for execution from change management; and, last but not least, outdated job descriptions. Subjectivity due to the tendency of handling unanticipated work that leads to judgment and impacts the dependability of the planned goals & targets, as well as a lack of task coordination, were the two main issues identified by the respondents in the process.

Although the majority of staff members do understand and acknowledge that the EPMS has helped the alignment of the bank's goals with those of the individuals, as the research verified, they were not receiving the necessary training. Before approving the performance contractual agreements, they have the ability and opportunity to evaluate, comment on, and address their goals and targets. According to respondents, performance-related messages were not as effective as they should have been because of improperly tracked and recorded data, which causes subjectivity, prejudice, and a lack of openness that ultimately undermines the system's effectiveness.

A lack of consensus on how performance will be monitored and limited or poor experiences with providing employees with opportunities to voice their ideas or opinions while signing contractual agreements were further difficulties. Several of the opinion of respondents is that the metrics were poorly created.

Also, according to the replies supplied by employees, setting various goals for comparable positions (employees are not treated equally by the system with the same job grade), having unfair job rotation in the bank, having insufficient resources (employees were unable to perform), and the PMS not treating employees fairly/favoring certain areas of work that result to unequal advancement opportunities were obstacles encountered during employee performance.

According to the interview, the difficulties with PMS were both technological and human-made (how to utilize the system) and the system wasn't fully implemented. According to those surveyed, the bank has undertaken the following important activities and tasks related to PMS: Establish the framework and guidelines for the bank's EPM system, create performance standards and metrics, separate targets, and conduct training and awareness campaigns aimed at senior management and line managers, who are responsible for any concerns relating to the bank's EPM system. The study revealed that the practice of PM was not sufficient, therefore even though the bank takes this initiative and executes these responsibilities, the banks needs to pay close attention to every part of the system.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction

The summary of the study's results, conclusions, and recommendations for further work are presented in this chapter with the goal of establishing the primary goal of the performance management system, assessing the performance management practice in the CBE Nifas Silke district, and identifying potential obstacles and viable methods to address them.

5.1. Summary of findings

The thesis revealed that inadequate training and resources are significant challenges facing the bank. Without proper training, employees may not have the necessary skills to use PMS effectively, which can hinder the adoption process and limit the benefits of the system. Additionally, the bank may lack the necessary resources, such as technology infrastructure and data analysis tools, to support the implementation of PMS.

Cultural barriers are another challenge facing the bank. Organizational culture plays a significant role in employee attitudes towards PMS, and if the culture is resistant to change, it can be challenging to implement the system effectively. Moreover, the role of leadership in promoting the adoption of PMS is another critical factor that needs to be considered.

The majority of CBE workers, according to participant responses, were aware of the banks' goal and vision (4.3). The respondents also acknowledged that they were familiar with the objectives, activities, tasks, goods, services, and procedures associated with their line of work (4.29), which is in line with Melat (2014) and Temesgen's results (2016). Most respondents believed that the overall strategic aim was properly matched with the objectives of the units and the people with regard to performance planning (4.01). Additionally, respondents were clear about what was

expected from them (3.98). Additionally, they validated that management and the job holder/individual had an understanding of what they both needed to accomplish (3.42). SMART targets (3.33), agreement on performance measurement (3.29), and utilization of evidence (3.13) are all relevant to this stage.

The results showed that the majority of the practices used in the stages of performance management had poor mean values. The bank's employees agreed that performance management requirements should be properly communicated, with a high mean value (4.3) and a moderate mean value (3.58) for performance planning. On the other hand, low mean values were seen in other values of the remaining phases (3.06 - 2.67). Employee replies indicate that a variety of difficulties were experienced when implementing the EPMS.

5.2 Conclusions

In conclusion, the adoption of performance management systems (PMS) is a critical challenge facing the Commercial Bank of Ethiopia, particularly the Nifas Silk District. The implementation of PMS has the potential to improve organizational performance, enhance employee engagement and motivation, and provide valuable insights for decision-making. However, the adoption of PMS also poses significant challenges, including issues related to organizational culture, leadership, training, technology, and employee buy-in.

To address these challenges, it is essential to conduct a comprehensive analysis of the organizational culture, leadership styles, training programs, technology infrastructure, and employee attitudes regarding PMS. By identifying the specific barriers to adoption and developing practical solutions to address them, the bank can successfully implement PMS and improve its performance management practices.

Overall, this thesis highlights the importance of effective performance management practices in the banking sector and provides valuable insights for improving performance in the Commercial Bank of Ethiopia, particularly the Nifas Silk District. By addressing the challenges of PMS adoption, the bank can ensure that it remains competitive and effectively serves its customers while maximizing the potential of its employees.

5.3 Recommendation

The following recommendations were put up in light of the findings and conclusions: -

- ✓ In order for employees to take ownership of the plan arrangement, CBE must create a setting where they may set their own goals, participate in the discussion, and peacefully express viewpoints.
- ✓ Employee involvement in the bank's goal-setting process helps the organization achieve its objectives, boosts understanding and commitment, promotes collaboration and trust by promoting openness, and gives employees the opportunity to support corporate objectives.
- ✓ The bank must use the performance management system for administrative, informational, organizational management, and documentation purposes since they are crucial to maximizing the system's efficiency.
- ✓ CBE must improve the flexibility and dependability of the performance management process in order to have access to enough data on employee performance and reporting their status as well as to provide the desired results in terms of performance information reporting and use.
- ✓ Employees are more likely to experience job discontent and burnout when they believe the system is unfair. As a result, the bank must work to minimize any potential bias from managers by accurately documenting data, communicating changes, and creating job descriptions on schedule.

5.4 Suggestions for Further Studies

As previously mentioned this study used a case study and focused on a specific CBE in the Nifas Silk district. In order to do additional research in light of this, future research may look at how other districts on CBE, other commercial banks around the country, NGO, and other governmental institutions challenge face to adopting performance management system. To expand on the implications of the study, the findings suggest that financial institutions in Ethiopia, including commercial bank of Ethiopia in all district, should prioritize the development and implementation of effective performance management system adoption strategies.

The following suggestions could help for further study to expand the research conducted in the related area. Firstly, I suggest the researcher conducting research in analyze how the organizational culture and values of the Commercial Bank of Ethiopia impact the adoption of performance management systems, particularly in influencing employee attitudes towards PMS. Secondly, study the role of leadership in encouraging the adoption of PMS within the bank, including an examination of the leadership styles of managers and executives and how these affect employee engagement with PMS. Thirdly, evaluate the effectiveness of training programs in facilitating the adoption of PMS by analyzing the content and delivery of the training programs and their impact on employee knowledge and skills related to PMS.

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Appendix

Part I: - General Information

1. Gender Male _____ Female _____
2. Age 21-30 _____ 31-40 _____ 41-50 _____ > 51 _____
3. Educational level Below Degree _____ Degree _____ Masters _____
PhD _____ Other (Specify) _____
4. How long have been working at the organization (in Years)?
Below 1 _____ 1-5 _____ 6-10 _____ 11-15 _____ above 15 _____

Part II: - Please indicate the degree of your agreement or disagreement with each of the items below by putting a tick mark in the box that best describes your choice.

1. Prerequisites

S.No.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I am familiar with the Bank's mission and vision.					
2	I am familiar with the bank's strategic goals and activities, products, services, and processes of my job.					

2. Purpose of performance management (PMS)

S.No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	The organization has a clearly defined PMS.					
2	I am aware of the objective of the bank's PMS.					
3	The PMS link the organization's goals with individual goals.					
4	The PMS tell the employees how they are doing task.					
5	The PMS provide employees with information on specific areas which needs improvement					
6	The PMS determine who gets promoted and salary increment.					
7	The PMS information to be used in workforce planning.					
8	The PMS allow for the documentation of important personnel decisions.					

3. Performance Planning

S.No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I know the strategic objective of the bank.					
2	I know the strategic objective of my work unit.					
3	Individual goal is aligned with the strategic objective of work unit as well as the bank.					
4	My job responsibilities, what is expected from me is clear.					
5	My objectives are specific/stretching, measurable, achievable, and relevant and time framed.					
6	There is an agreement on what the role of individual has to achieve with management.					
7	Agreement is reached on, how performance will be measured.					
8	Agreement is reached on how evidence will be used to evaluate my work.					

4. Performance Execution

S.No.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I get ongoing performance, feedback and coaching.					
2	Supervisors provide me resources which help me perform the job properly.					
3	Employee communicate openly and regularly with the supervisor to provide regular updates towards goal to be achieve.					
4	Communicated regularly to change in initial objectives, standards, key accountabilities and competency areas.					

5. Performance Assessment and Review

S.No.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

1	Performance of employees is evaluated in accordance with the set strategy.					
2	Performance evaluations by supervisors are biased.					
3	During the conversation with the supervisor, a friendly exchange of opinions may occur.					
5	The performance management evaluation drives people to make changes.					

6. Development plan

S.No.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	There is a staff development plan that offers an action plan to strengthen weak areas.					
2	Employees may remain updated on developments in their bank according to a development plan.					

7. Reward

S.No.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	The bank's PMS aims to connect incentives with achievement.					
2	Reward is given shortly after performance.					

8. Challenges of performance management system

S.No.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	The goals of the department, the organization, and the person are coherent.					
2	At various levels of the organization poor measures are occur					
3	EPMS system is clearly defined in the bank.					
4	The management of performance is based on time measurements, the					

	gathering of necessary data, and measurement data.					
5	Training are implemented to ensure PMS are continuously developed.					

1,What advantages does the bank acquire from the employee performance management system?

2,What are the advantages of an employee performance management system for you?

3. What difficulties were you confronted with as a result of the performance management system?

I greatly appreciate your help.

Selamawit Bogale