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ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

Department of Public Administration and Development Management

Assessment of the implementation of Performance management system in Commercial bank of Ethiopia Using the Balanced Score card: the case of selected branches under West Addis Ababa District

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A thesis submitted to the School of Graduate studies of Addis Ababa University in partial fulfillment of the requirements for the degree of Masters in public Management and Policy (*Development Management stream*) in the department of Public Administration and Development Management

Addis Ababa, Ethiopia

June, 2016

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Commercial Bank of Ethiopia Using Balanced Score Card: the case of
Selected Branches under West Addis Ababa District**

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Declaration

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I declare that this research report on *Assessment of implementation of performance management system in Commercial Bank of Ethiopia using Balanced Scorecard: the case of selected branches under West Addis Ababa district* is my own original work with assistances and guidance from my Advisor and not submitted before for any institution and any purpose. I further declare that all the sources used in this research report have been properly recognized and acknowledged as in-text- citation and reference list.

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Acknowledgement

It is to almighty God of wonder that I am most grateful for granting me the strength to come this far. My deepest and heartfelt gratitude goes to my thesis advisor MulugetaAbebe (PhD) whose kind support and guidance have turned the whole process of my research endeavor full of learning and enjoyable. I thank him not only for his guidance and constructive advice during this thesis writing, but also for teaching me two courses during the first year of my study that have positively impacted my life.

My special thanks also go to the Employees Performance Management team and experts, district manager and human resource officer, and to all employees participated in this research work for their valuable and considerable support and cooperation during the data collection.

Finally, I would like to express my deep sense of gratitude to my families and friends for their encouragement and invaluable support during my thesis writing.

Table of Contents

Contents Page	
Acknowledgement	i
List of tables.....	vi
Abstract.....	viii
Acronyms.....	ix
CHAPTER ONE.....	1
Introduction	
1.1. Background of the study.....	1
1.2. Statement of the problem.....	4
1.3. Objective of the study.....	5
1.3.1. General objective.....	5
1.3.2. Specific Objectives.....	5
1.4. Research Questions.....	6
1.5. Research methodology.....	6
1.5.1. Research design and Approach.....	6
1.5.2. Data gathering technique.....	7
1.5.3. Study population and sampling techniques.....	
1.5.4. Data analysis technique and presentation modality.....	8
1.6. Significance of the study.....	9
1.7. Scope of the study.....	9
1.8. Limitation of the study.....	9
1.9. Organization of the study.....	10
Chapter two.....	10
Review of Literature.....	11
Conceptual and Theoretical Literature..... 10	
2.1. Performance and performance management defined.....	11

2.2. Historical overview of performance management system	13
2.3. Purposes of performance management	16
2.4. Performance Management Process	18
2.5. The Balanced score card (BSC)	28
2.6 Building Balanced Scorecard	31
2.7. Empirical Literature	34
2.7.1. Implementation of PMS in different countries.....	34
2.7.2. The Practicality of BSC to Performance Management System.....	37
2.8. Conclusion of Literature Reviewed.....	40
CHAPTER THREE	40
DATA DESCRIPTION AND ANALYSIS	41
3.1. Introduction	41
3.2. Profile of Respondents	42
3.3. Results of the Questionnaire	44
3.3.1. Analysis of Performance Management System in CBE West Addis District.	44
CHAPTER FOUR.....	62
DATA DISCUSSION AND INTERPRETATION	62
4.1. Introduction	62
4.2. Discussion and interpretation of PMS in CBE West Addis Ababa District.....	63
4.2.1. Pre-requisite to PMS implementation	63
4.2.2. Performance planning	66
4.2.3. Performance review and evaluation	69
4.2.4 Performance execution.....	72
CHAPTER FIVE	74
Summary of findings, Conclusion and Recommendation	74
5.1. Summary of findings.....	74
5.2 Conclusion.....	76
5.3. Recommendations.....	78
References.....	81
Appendixes	

List of Tables

Table 3.1	Total number of questionnaires distributed to different branches, the branch grade and name of the branch from which the questionnaire was collected.	41
Table 3.2.	Gender of the respondents	42
Table 3.3.	Age group of Respondent.....	
Table 3.4.	Educational status of Respondents.....	41
Table 3.5.	Work Experience of Respondents.....	41
Table 3.6.	Respondent's current work position	44
Table 3.7.	Do you know the strategic objectives of the bank?	45
Table 3.8.	Clear definition of Concepts and objectives of PMS.....	45
Table 3.9	Awareness about the concept and objective of PMS.....	46
Table 3.10.	Employees of CBE participation in the bank's corporate performance plan preparation.....	47
Table 3.11.	The bank's corporate strategy were fully aligned with individual and team objectives	47
Table 3.12.	Does the PMS improve your performance so far?.....	48
Table 3.13.	Have you ever taken training on BSC?.....	48
Table 3.14.	Do you think there is a fair and proper target distribution among all staffs according to their task and responsibility?.....	49
Table 3.15.	All the four BSC perspectives (Financial, internal process, customer, and learning and growth) are equally implemented in the branch.....	49
Table 3.16.	If your answer to the above question is NO, which perspective has given more emphasis?.....	Error! Bookmark not defined.
Table 3.17.	All the nine steps in building the BSC are well articulated and implemented.	51
Table 3.18.	Do you think the target given to staffs to evaluate their performance can actually identify the person with high potential and under performers?	51
Table 3.19.	Do you think the targets given to you are realistic and attainable?	52
Table 3.20.	All employees in the branch have equal understanding regarding the concept of PMS.	53
Table 3.21.	Practicibility and applicability of BSC to CBE.	53

Table 3.22. Is there proper and consistent data tracking system in the branch?	54
Table 3.23. Feedback on employees over all progress toward goals?	55
Table 3.24. My supervisor/or my team leader gives me coaching support in order to help me fill gap in my performance.....	55
Table 3.25. Quarterly performance appraisal is being conducted timely	56
Table 3.26. Material required to execute my job is available sufficiently.....	57
Table 3.27. My Performance result is attached with reward and sanction	57

ABSTRACT

This study is concerned with the performance management system in Commercial Bank of Ethiopia with reference to selected branches under West Addis Ababa district. To this end, the study has made an effort to thoroughly assess the implementation status of PMS processes, to identify and investigate achievements and constraints associated with the current PMS tool being used by the bank, the balanced score card (BSC). In doing so, the study was geared towards answering key research questions relevant with performance management system in the bank. The study has used both primary and secondary data sources. The primary data has been collected through structured self administered questionnaire and in-depth interview. The results of the questionnaire were analyzed using SPSS (statistical packages for social science) to get descriptive statistics. Qualitative data collected through in-depth interviews, open ended questions and document review were analyzed and summarized contextually. Frequency table and percentage was used to present the data analyzed. The results of the study have revealed that though the bank has good qualities in defining its strategic objective and other pre-requisites to PMS implementation, the performance management system of the bank in general and the study district in particular needs serious consideration as majority of the processes of PMS have not been well implemented yet. In general, the researcher has recommended that the bank has to involve all employees in performance planning process, create awareness about the concept and advantage of PMS through training, revisit its goal and target setting, develop and utilize automated software for data tracking, ensure provision of ongoing and consistent feedback and coaching to performers, and link performance result with reward and sanction, for better improvement of performance of West Addis Ababa district in particular and CBE's in general.

Key Words: Performance Management, employees, Balanced Score Card, Commercial Bank of Ethiopia, strategic objective, West Addis Ababa district

Acronyms

BPR- Business Process Re-engineering

BSC- Balanced Score Card

BSCI- Balanced Score Card Institute

CATS- Customer Account and Transaction Service

CBE- Commercial Bank of Ethiopia

CP- Contingent Pay

CRO- Customer Relationship Officer

CSM- Customer Service Manager

CSO- Customer Service Officer

FDRE- Federal Democratic Republic Ethiopia

EPM- Employees Performance Management

GTP- Growth and Transformation Plan

HR- Human Resource

HRD- Human Resource Department

KSA- Key Strategic Area

MBO- Management by Objective

MoCS- Ministry of Civil Service

NPM- New Public Management

PEST- Political, Economical, Social and Technological

PMS- Performance Management System

SCSO- Senior Customer Service Officer

SMART- Specific, Measurable, Achievable, Realistic and Time bounded

SPSS- Statistical Package for Social Science

SWOT- Strength, Weakness, Opportunity and Threat

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Performance management is a systematic and integrated process for improving organizational performance by developing the performance of individuals and teams working in them. It is a means of getting better result from the organizations, teams and individuals by understanding and managing performance within agreed framework of planned goals, standards, and competence requirement (Armstrong, 2009). Performance management system (PMS) was born out of the realization of the importance of human capital because performance of an organization depends on the performance of its people, regardless of the organization's size, purpose or other characteristics (Aguinis, 2009). The ultimate goal of performance management system is to achieve sustainable individual and organizational performance. The aim is also to create an enterprise where the employees are thriving for success (Rachna et al, 2015; Armstrong, 2009).

The genesis of performance management system is the global impact of the three decades of the New Public Management (NPM) phenomenon which drives the focus on result oriented public services. Though there has been a substantial body of literature on PMS in both public and private sector, more clear examples of application and success have been reviewed in the private sector and very few are found in the public sector organizations. This is due to the fact that there is hardly any consequence of time lost, and also money is not a matter of concern in public sectors. Therefore, they experience no pressure and also there is no incentive or reason for them to perform. In addition, there are also issues of morale, absence of authentic leadership, industrial relations, and politics that inhibit movement and action in the public sector. Furthermore, public sectors appear to be answerable to more bodies than the private sector, which results in delayed decisions there. Given all these drawbacks, however, the globalization, privatization and divestment policies are putting a pressure on public sector and they are looking at PMS to gain employee involvement and engagement (Mackie, 2008; Rachna et al, 2015; Metawi et al, 2005).

According to Andre de Waal (2007), performance management system can be regarded as one of those theories whose validity needs to be tested in an emerging country's context, as these can be more dynamic and be completely different from a developed country's context. In developing countries, there is a growing body of literature on the modernization of management control and information system, with an emphasis on development of New Public Management. However, the scientific and professional literature specifically on implementation of PMS in developing countries is scarce. Even the popularity of the balanced scorecard (BSC) is still a relatively new concept for these countries. This might be due to the fact that in the advanced countries promotions and reward are linked to performance, while in developing countries promotion is still linked to seniority or relations.

In today's business environment, being competitive is not only a matter of choice to organizations but more of a matter of survival. Due to this reason, in the year 2002, the government of Ethiopia launched massive a radical measure to improve the performance of country's public institutions. In line with this, various public institutions introduced and started implementing Business Process Re-engineering (BPR) program. The overall objective in this initiative was to bring a meaningful reform in the institutions so that every institution contributes its share to the achievement of the economic development and poverty reduction objective of the country (Paulos, 2001).

The BSC is a worldwide accepted performance management tool, which proposed that non-financial performance measurement should also be measured with financial performance measurements so institutional performance is measured in a multi-dimensional way which results in a better focusing on the institution's strategies. It considers the value of intangible assets along with tangible ones and enables PMS to reach its aims (Kaplan & Norton, 2004). More specifically, the balanced scorecard is based on the combination of four key perspectives in performance measurement: financial perspective, customer perspective, internal business process, and learning and growth perspective. Evidently, unlike the traditional system the balanced scorecard puts strategy, vision and communication in the centre rather than control.

In Ethiopia, the interest to use such an improved performance management tool is recently growing in many public enterprises. The Commercial Bank of Ethiopia (CBE), one of the governments owned financial institution, has recently implemented the PMS. Established in 1942, CBE is the leading bank in Ethiopia to introduce a modern commercial banking activity to the country. Currently, it has more than 990 branches stretched across the country. It is a leading African bank with total assets of 303.6 billion birr as at June 2015. The CBE, which has set a vision to embark in to a world class commercial bank by 2025, is rendering state of art and reliable services to its 10.2 million customers(account holders) both locally and abroad, with more than 22,000 professional employees. Aligned with its vision to become a world class commercial bank, the bank has already opened more than ten branches in Sudan (www.combanketh.et).

CBE plays a substantial role in the economic progress and national development of the country particularly, through employment creation and financing development projects. In addition, the bank, with the view of accelerating its transformation, had initiated the institutionalization of a performance management tool, the BSC in 2010 and implemented it at the beginning of 2014. The objective was to enable the bank to formulate and implement its strategy and track its performance. The bank's mission statement and vision have also been rephrased to reflect a significant component of its role of supporting national development endeavors. Furthermore, the order of the perspectives of the bank's BSC is arranged as Financial and development at the top followed by customer, internal process, and learning and growth perspectives, respectively. Among different strategic issues, the bank has selected two strategic themes (business growth and service excellence) and their strategic results (enhanced role towards national development and satisfied stakeholders).

Accordingly, this study is focused on assessing the implementation of Performance Management System (PMS) in CBE with regard to its current performance management tool, BSC which was adopted by scholars and the PMS cycle developed by the bank.

1.2.Statement of the problem

Though Performance Management has received substantial emphasis from academia and researchers in the developed world, there is acute scarcity of scientific studies in the subject in the developing world in general and Africa in particular (Adre de Waal, 2007). The situation is even worse in Ethiopian context as the subject is one of the overlooked and under researched themes (Dereje, 2015; Melat 2014). The available studies tend to approach the concept from the employees performance appraisal and evaluation dimension which is an old practice in human resource management, and it is also only one component of the wider PMS. Therefore, this study concentrates on PMS in its entirety and adds some input to narrow the gap or scarcity of empirical research in the subject matter.

In the 2010, the CBE has developed a five year corporate strategy, along with the GTP of the country. One of the aims of this strategic plan was providing effective, efficient and quality service through the introduction of PMS tools (CBE Corporate strategy, 2010-2015). It is known that performance of any organization depends on the performance of branches, units, agencies, offices, and individuals working in the organization. Accordingly, PMS as a strategic tool for the alignment of organizational goals with team and individuals goals has been rolled out bank wide since July 2014. Since then, the implementation was carried out phase by phase in all processes and offices using the Balanced Scorecard approach though all the steps are not well implemented yet (Branch Visit Report, 2015).

The goal of PMS, as it is stated in the bank's HRD manual, is to contribute to ongoing improvement in performance across CBE branches by aligning individual and team performance with strategy and objective of the CBE through greater clarity in setting goals and related performance targets for individuals, and monitoring progress in their achievement. It is also implemented to provide a context in which the development needs of job holders can be addressed and allows the CBE to manage its resources within strategic framework and achieve more effective performance. This involves processes of identifying performance measures and indicators, cascading of goals and targets to managers, processes and lower level individuals, continuous feed-back and coaching,

measuring performance and evaluating it, and finally performance recognition and reward. The bank is working to make sure that all its branches have adopted BSC as a PMS tool. With this regard, performance of districts, branches and individual is being planned, reviewed, measured, appraised, and evaluated periodically (per quarter, semi-annually, and yearly).

However, since the implementation of BSC as a PMS tool, branches are facing a number of difficulties which create a gap between the theory and the practice. For instance, in the district understudy, even though some components of BSC such as quarter based performance appraisal is being conducted and performance targets and results distributed to employees, all the processes and steps of BSC tool is not being undertaken. For example, cascading of strategic objectives, employees' awareness and understanding level about the tool, data tracking system, feed-back and coaching and other issues in performance review are not well articulated as documented in Employees Performance Management (EPM) team manual. In general, there is no well-designed performance execution practice in the study district. Therefore, this study aims at defining these gaps and providing possible solution for reducing it in order to get closer to achieving effective PMS in the bank in general and in the study district in particular.

1.3. Objective of the study

1.3.1. General objective

The overall objective of this study is to assess the implementation of PMS in CBE and to forward possible solution for the actual problem.

1.3.2. Specific Objectives

More specifically, the study is aimed at:

- a) Investigating the understanding level of employees (if there is disparity) regarding BSC concept as a performance management tool
- b) Examining the alignment of CBE strategic mission with individual and team performance objectives

- c) Identifying and investigating achievements made and challenges encountered during the implementation of the PMS processes in terms of both organizational and individual performance improvement, and
- d) Identifying possible actions that the bank understudy should take to rectify the challenges.

1.4. Research Questions

The study has attempted to answer the following basic questions:

- i. To what extent does the individual employee understand the concept of PMS?
- ii. To what extent does the individual performance objective aligned to the organizational corporate goal?
- iii. What achievements are being observed since the introduction of BSC as an implementation tool for PMS ?
- iv. What are the major constraints that are hindering the implementation of PMS in CBE?
- v. What measures are required to improve the PMS in CBE?

1.5. Research methodology

1.5.1. Research design and Approach

This study has employed descriptive research type to answer the above research questions and to give general information (description) about the implementation, achievement and challenges of PMS in CBE. Descriptive research type includes surveys and fact finding enquires of different kind. Kothari (2004, pp.3) notes that the major purpose of descriptive research is description of the state of affairs as it exists at present. Therefore, this design was particularly important for the study because it helps to describe and interpret the actual events that exists now and existed in the past and that have influences on the present performance of management system of CBE.

According to Cohen et al (2005), descriptive research design is used to collect numerical data from large population. In addition to this, by using descriptive research method it is easy to use various forms of data as well as incorporating human experience which enabled the researcher to look the study in so many various aspects and can provide bigger over view about the subject matter. It also gives room to use both quantitative and qualitative approach in order to find solution to specific study. According to Mark et al (2009), the use of mixed method (both qualitative and quantitative) gives the potential to cover each method's weakness with strength from the other method, and hence, the study used this approach.

1.5.2. Data sources and gathering technique

The study is based on the data that was collected from both primary and secondary sources. Primary data was collected through structured questionnaires (closed ended and open ended) and semi structured in-depth interviews. The researcher conducted the interview from some individuals at the District office and Employee Management team at HRD on the basis of their experience and closeness to the PMS implementation. These individuals were selected purposively using purposive sampling. On the other hand, the secondary data was collected from different published and unpublished documents in the district, such as plans and reports, performance appraisal and evaluation check list, and other related manuals.

1.5.3. Study population and Sample

The CBE has 995 branches across the country. These branches are restructured in to 15 districts. By taking in to account the time and cost constraints (cost of data collection and analysis), the researcher has selected eight branches under West Addis Ababa District by considering the grade category of the branch (two branches from each grades). Accordingly, Addis ketema and Teklehymanot branch, Paulos branch and kolfe branch, Addisu Michael and sefereselam branches, and Teji and Karabu branches were selected purposively representing Grade 4, 3, 2, and 1 respectively. The existing data indicates that the number of clerical employees under the district during the data collection period was 1720. Out of these individuals, 120 of them had less than one year of experience in

the bank and the researcher eliminated these individuals since they are not well exposed to the system and may not have full grasp of the PMS in the bank. An appropriate sample size for this number of population (i.e. 1600 individuals) is 237 employees. In calculating this sample size, the researcher used Slovincs's (2006) formula:

$n = N / (1 + N \{e^2\})$ where, N is sample population, n is sample size and "e" represents error margin. The researcher has set $e=0.06$, which means that the confidence level is 94%.

However, so as to increase the reliability of data and to make the sample more representatives, the researcher increased the sample size to 270. Therefore, clerical employees with one year and above experience in the bank (district) were study population and 270 individual employees working in the selected branches constituted the sample of the study.

Hence, depending on the organizational structure and branch distribution, the combination of stratified, purposive and simple random sampling technique was used in the study. As Kothari (2004, pp.62) pointed out, Stratified sampling technique is applied in order to obtain a representative sample when the population from which the sample to be drawn does not constitute a homogenous group. In this study, stratified sampling technique was used to categories branches of the bank by their grade as grade 1, grade 2, grade 3, and grade 4. On the other hand, judgment sampling or purposive sampling is used when items for the sample are selected deliberately by the researcher so that his/her choice concerning the items remains supreme. Purposive sampling method in this research helped the researcher to select the branches which were suitable for collecting the required data. Finally, the sample individuals selected from the selected branches were randomly from different department/units.

1.5.4. Data analysis technique and presentation modality

Both qualitative and quantitative data analysis method (mixed method) were applied based on the nature of data collected. As it is discussed in the beginning of this section, the study employed descriptive statistics. Therefore, the quantitative data that were gathered through structured questionnaire were processed by using computerized software SPSS (Statistical Package for Social Science) version 20, to get descriptive

statistics results. The processed information has been presented using frequency tables and percentages. Finally, qualitative data gathered through interview, open ended questionnaire and document review were analyzed through organization based on their types and reduction through summarization and categorization. Direct words of the interviewees in the form of case stories are also presented as appropriate in the study.

1.6. Significance of the study

The finding of the study would enable:

- The commercial bank of Ethiopia to obtain the necessary feedback and take corrective measures to ensure the successful implementation of PMS.
- It might be an input for other organizations that are interested in designing and implementing PMS.
- It provides sufficient information to those who are interested to perform further research in similar area.
- It broadens the knowledge of researcher about the subject matter with a range of practical application and improves the understanding of research ability of the researcher.
- It might add something on empirical literature regarding the implementation of PMS.

1.7. Scope of the study

The study was concerned with assessment of PMS implementation in selected branches under West Addis Ababa district and does not include the implementation at district offices, processes and head office level. On the other hand, the study is delimited to the main process/cycle of PMS from employee's point of view throughout the steps from pre-requisite to performance planning to performance review and does not consider the other perspectives.

1.8. Limitation of the study

Time and budget constraints have made the study to be limited to the assessment of PMS implementation at branch level. In addition, key informants at EPM team could not be contacted due to work load and meeting at the offices. The intention at the beginning of the study (proposal phase) was to hold in-depth interview with all ten members of EPM. The major limitation of the study was that the researcher could not find empirical studies in the area of performance management system in Ethiopian context and therefore, literature review part of the study was not rich enough with cases from Ethiopian context. In addition, since the implementation of PMS was rolled out bank wide before only two years, the researcher could not find sufficient published and unpublished guidelines, documented reports and manuals required for the study.

1.9. Organization of the study

The research work has been organized in five chapters. The first chapter contained introduction, statement of the research problem, objectives of the research, research questions, research design, and significance of the study, scope, limitation, and organization of the research. The second chapter provided detail review of literature in the area of performance management: definition, historical overview, purposes, processes, implementation in different countries, and practicability of BSC to PMS. Chapter three is concerned with description and analysis of the study based on the data gathered from both primary and secondary sources as outlined in data methodology section. The fourth chapter interprets and discusses the data analyzed in chapter three by putting the research objectives and topic in to spotlight. This section has made an effort to identify what the research has achieved and what drawbacks have taken surface during the PMS implementation. Finally, the last and fifth chapter has provided the summery of findings, conclusion and recommendation.

ChapterTwo

Review of Literature

2.1. Conceptual and Theoretical Literature

2.1.1. Performance and performance management defined

There are different views on what performance is. In a simple way, it can be regarded as a record of an outcome or accomplishment achieved by a person or a team (Armstrong, 2009). The Oxford Advanced Learner Dictionary (2006, p.1080) also defined the term as the act or process of performing a task or an action that involve a lot of effort. Furthermore, Kane (1996) and Brumbach (1988) argue that performance is something that the person leaves behind and that exists apart from the purpose. It can also be regarded as behavior the way in which organizations, teams and individuals get work done. Therefore, it is both behavior and result.

Van Dooren, Bouckert, and Halligan (2010) defined performance conceptually rather than a statement. They show that performance can be seen from four perspectives: (1) performance as quality of actions, (2) performance or competence or capacity, (3) performance as good results and (4) performance as sustainable results. The first perspective concentrates on the tasks being undertaken by the performing agent. In this sense, performance refers to actions that are performed regardless of whether they are successful or not. In general, this perspective understands performance as intentional behavior of government actors. The second perspective reveals that performance has a quality that can be either high or low. As the quality of actions, performance is understood as competence or capacity. And the assumption is that a highly proficient performer will be more likely to produce more and better quality output from an activity.

The third perspective of performance conceptualization view performance as quality of achievements not that much concerned with quality of actions and so it is equal to results. And finally, they noted that performance is conceptualized with due emphasis to both quality of actions and quality of achievements, which is termed as sustainable results. This definition leads to the conclusion that, when managing the performance of teams and individuals, both inputs (behavior) and outputs (result) need to be considered.

Performance Management is the process of defining clear objectives and targets for individuals and teams, and the regular review of actual achievement and eventual rewarding for target achievement (O'Callaghan, 2005). Akata (2003) considers performance management as a systematic and holistic process of work planning, monitoring and measurement aimed at continuously improving the teams and individual employee's contribution to achievement of organizational goal. As noted by Armstrong (2000), performance management is a strategic and integrated process that delivers sustained success to organizations by improving the performance of the peoples who works in them and by developing the capabilities of individual contributors and teams. It is strategic in the sense that it is concerned with the broader issues facing a business if that business is to function effectively in its environment and with the general direction in which the business intends to go to achieve its longer term goals. Performance management is integrated in two senses : (i) Vertical integration, linking or aligning business, team and individual objectives with core competences, and (ii) Horizontal integration, linking different aspect of human resource management, especially organizational development, human development, and reward, so as to achieve a coherent approach to the management and development of people (Armstrong & Barron, 1998; Armstrong, 2009).

Performance management in its fullest sense is based on the belief that everything that people do at work at any level contributes to achieving the overall purpose of the organization. It is therefore concerned with what people do (their work), how they do it (their behavior) and what they achieve (their results). It embraces all formal and informal measures adopted by an organization to increase corporate, team and individual effectiveness and continuously to develop knowledge, skill and competence. Mackie (2008) also defines performance management as activities of government or its agencies in planning, implementing, reviewing, evaluating and reporting the effectiveness of its policies, programs and projects. He further states that performance management in public sector is the managerial activity necessary to promote well performing policy management and service delivery. For James Smither and London, performance management is continues process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals

of the organization (Smither et al, 2009). From these definitions, the researcher has concluded that performance management is a concept that focuses on understanding and action on the performance issues at various levels of organization which includes individual, teams, departments and organization itself. It is also strategic (concerned with the broader issues facing the organization), systemic, systematic and holistic (all embracing). In addition, it is not a onetime event rather it is a continuous process of activities and very much cyclical in nature. Therefore, performance management in any organization (in public or private sector), includes: 1) setting and clarification of corporate objectives, 2) institutionalizing measures and indicators in pursuit of the objectives, 3) giving and receiving feed-back about the performance, 4) attaching reward and or sanction based on the result, and 5) planning continues development of staff to sustain and improve performance of individual and organizational productivity.

2.12. Historical overview of performance management system

Performance management systems, in various forms, have been employed for nearly two millennia. In the third century AD, the Chinese were not only using performance appraisal systems but were critiquing each other's biases in their evaluations of their employees (Murphy and Cleveland, 1995; Evans, 2004). During the Industrial Revolution of the 18th century, factory managers became aware of the importance of their employees' performance on their production outputs (Grote and Grote, 1996; Murphy and Cleveland, 1995). The development of the philosophy of performance evaluation systems in America has been attributed to such researchers and philosophers as Peter Drucker and Douglas McGregor, who developed ideas of management by objectives (MBOs) and employee motivation (Evans, 2004; Murphy and Cleveland, 1995). Spreigel reported in 1962 that by the early 1960s more than 60% of American organizations had a performance appraisal system. The system's popularity stemmed from the Army's implementation of a performance management system for its officers (Murphy and Cleveland, 1995). Since then, researchers have continued to develop theories of how different performance evaluation methods can contribute to the success of the organization.

Another argument emphasize that the introduction of PMS is directly related to the birth of New Public Management (NPM), which has several core elements: devolve authority and provide flexibility; develop competition and choice; provide responsive service; be performance oriented; be customer driven; and focus on efficiency (Andre de Waal, 2007).

According to Iyang (2009), the concept of performance management system is theoretically underpinned to the theory of motivation. There are several motivational theories in the literature: Maslow's needs hierarchy theory, Herzberg's two factor theory, expectancy theory, goal setting theory, etc (Iyang, 2009). Of all these theories, the goal setting theory fits the Performance management concept best. This is because performance standards are antecedent situation in the employee's work environment. Goals are performance levels which individuals and organizations have agreed up on as performance standards.

The goal setting theory is based on the assumption that people have conscious goals that energized them and direct their thought and behavior toward one end (Bateman et al, 1993). People and organization obtained the positions they are today because they were goal oriented. Lessons from researchers in goal setting theory shows that properly conceived goals trigger a motivational process that improves performance. A general goal setting model has four components: goals, motivation, improved performance and feedback on performance.

Furthermore, Gupta et al (2012) argue that the term was first discovered by Beer and Ruh (1976) in 1976. They mentioned that Performance management as practiced today incorporates processes such as *management by objectives* and *performance appraisal* that were first developed some time ago. But its overall approach is significantly different. Performance management is much more than appraising individuals. It contributes to the achievement of culture change and it is integrated with other key HR activities, especially human capital management, talent management, learning and development and reward management. Thus performance management helps to achieve horizontal integration and the „bundling“ of HR practices so that they are interrelated and therefore complement and reinforce each other.

On the other hand, Armstrong (2006) mentioned that the earliest reference to performance management in the literature was made by Warren (1972) and later by Beer and Ruh (1976). He further argues that the concept and foundation of PMS is based on the management theory such as merit rating, management by objective and performance appraisal. The following section elaborates reviews of these theories.

A. Merit rating

Merit rating was the process of assessing how well someone was regarded in terms of personality traits such as judgment or integrity and qualities such as leadership or cooperativeness. Merit rating often involved the quantification of judgments against each factor, presumably in the belief that the quantification of subjective judgments made them more objective. Some companies use the total merit score as the basis for ranking employees, and this is translated into a forced distribution for performance pay purposes; for example, the top 10 per cent in the ranking get a 5 per cent increase, the next 20 per cent a 4 per cent increase and so on. Management by objectives (MBO) then came and largely went in the 1960s and 1970s, and simultaneously, experiments were made with assessment techniques such as behaviorally anchored rating scales.

B. Management by objective

The management by objectives movement claimed that it overcame the problems of trait rating. Management by objectives was defined by John Humble (1972) cited in Armstrong (2006) as:

„A dynamic system that seeks to integrate the company’s need to clarify and achieve its profit and growth goals with the manager’s need to contribute and develop himself.“

Management by objectives often became a top- down affair with little dialogue, and it tended to focus narrowly on the objectives of individual managers without linking them to corporate or team goals (although this link was supposed to happen. The system also tended to concentrate on managers, leaving the rest of the staff to be dealt with by an old-fashioned merit-rating scheme, presumably because it was thought that they did not deserve any- thing better.

C. Performance appraisal

In the 1970s a revised approach to performance assessment was developed under the influence of the management by objectives movement. It was sometimes called „results-orientated appraisal“ because it incorporated the agreement of objectives and an assessment of the results obtained against these objectives. This form of performance appraisal received a boost during the later 1980s because of the use of performance-related pay based on performance ratings.

The features of this system that distinguished it from other appraisal schemes were as follows: emphasis on both development and evaluation; use of a profile defining the individual’s strengths and development needs; and, integration of the results achieved with the means by which they have been achieved (Armstrong, 2006). Performance management at first incorporated many of the elements of these earlier approaches of rating, objective setting and review, performance pay and a tendency towards trait assessment. Conceptually, however, performance management is significantly different from previous approaches in that:

- 1) It is regarded as *a continuous process* not a single event;
- 2) It is treated as *a normal and necessary function of management* rather than an HR procedure; and
- 3) It is therefore *owned and driven by line managers* rather than HR.

2.1.3. Purposes of performance management

The study conducted by Alazar (2012) reveals that there are six main purposes of performance management system. These are strategic, administrative, communication purpose, developmental, organizational maintenance, and documentation *purposes*.

i. Strategic purpose

It links the organization’s goals with individual goals, thereby reinforcing behaviors consistent with the attainment of organizational goals. Even if for some reason

individual goals are not achieved, linking individual goals with organizational goals serves as a way to communicate what are the most crucial business strategic initiatives. In sum, the performance management system can be used as a strategic tool to change organizations' culture because senior management views encouraging key desired behaviors as critical to the company's success in the marketplace.

ii. Administrative purpose

Performance management systems are a source of valid and useful information for making administrative decisions about employees. The administrative decisions include: salary adjustments, promotions, employee retention or termination, recognition of superior individual performance, identification of poor performers, layoffs, and merit increases. In other words, the implementation of reward systems based on information provided by the performance management system falls within the administrative purpose. Having a good system in place is particularly relevant for the implementation of contingent pay (CP) plans, also called pay-for-performance. CP means that individuals are rewarded based on how well they perform on the job. Thus, employees receive increases in pay based wholly or partly on job performance.

iii. Communication purpose

A performance management system can be an excellent communication device. Employees are informed about how well they are doing and receive information on specific areas that may need to be improved. Performance management systems are a conduit to communicate the organization's and the supervisor's expectations and what aspects of work the supervisor believes are most important.

iv. Developmental purpose

Feedback is an important component of a well-implemented performance management system. Managers can use feedback to coach employees and improve performance

on an ongoing basis. This feedback allows for the identification of strengths and weaknesses as well as the causes for performance deficiencies (which could be due to individual, group, or contextual factors). Another aspect of the developmental purpose is that employees receive information about themselves that can help them individualize their career paths. Thus, the developmental purpose refers to both short-term and long-term aspects of development.

v. Organizational maintenance purpose

Performance management systems are the primary means through which accurate talent inventories can be assembled. Assessing future training needs, evaluating performance achievements at the organizational level, and evaluating the effectiveness of HRM interventions (for example, whether employees perform at higher levels after participating in a training program).

vi. Documentation purpose

Performance data can be used to assess the predictive accuracy of newly proposed selection instruments. Performance management systems allow for the documentation of important administrative decisions. This information can be especially useful in the case of litigation.

2.1.4. Performance Management Process

Performance management is the process of evaluating an employee's performance during the preceding years and deciding where does an individual stands as far as their peers in the same band are concerned. It is a process that associates the firm's strategies and aims to individual and group performance so as to enhance the efficiency of organization. The technique for performance management is a way through which an employer can maintain and promote efficient employee performance (Armstrong, 2006, 2009). It can range from selecting employee management philosophies to acquiring technical performance trailing tools to enact the formal policies. Nearly, every organization looks in to monitor performance of its employees through an assessment system. Performance management program has acquired much more significance over the past decade; the idea

behind this program is to simply manage work of employees. In order to accomplish performance management program effectively the target and vision should be vividly defined in much advance.

A performance management process sets the platform for rewarding excellence by aligning individual employee accomplishment with the organization's mission and objectives and making the employee and the organization understand the importance of a specific job in realizing outcomes. By establishing clear performance expectation which includes results, action and behaviors, it helps the employees in understanding what exactly is expected out of their jobs and setting of standards help in eliminating those jobs which are of no use any longer.

As indicated in the above section, performance management can be described as a continuous, self-renewing cycle which has multiple processes. Although every organization wanting to introduce performance management should develop its own version to suits its needs, most of the literature shows that the process follows the following six stages (Aguinis, 2009; Grote, 1996, Armstrong, 2009):

- (1) Pre - requisites,
- (2) Performance planning,
- (3) Performance execution,
- (4) Performance assessment,
- (5) Performance review, and
- (6) Performance renewal and re-contracting.

1. Prerequisites

There are two important prerequisites that are needed before a performance management system is implemented: (1) knowledge of the organization's mission and strategic goals and (2) knowledge of the job in question. If there is a lack of clarity regarding where the organization wants to go, or the relationship between the organization's mission and strategies and each of its unit 's mission and strategies is not clear, there will be a lack of clarity regarding what each employee needs to do and achieve to help the organization

get there. An organization's mission and strategic goals are a result of strategic planning, which allows an organization to clearly define its purpose or reason for existing, where it wants to be in the future, the goals it wants to achieve, and the strategies it will use to attain these goals. Once the goals for the entire organization have been established, similar goals cascade downward, with departments setting objectives to support (Aguinis, 2009).

The second important prerequisite before a performance management system is implemented is to understand the job in question. This is done through job analysis. Job analysis is a process of determining the key components of a particular job, including activities, tasks, products, services, and processes. There are numerous types of job analytic tools, including some that focus on specific personality traits needed for various positions. A job analysis is a fundamental prerequisite of any performance management system. Without a job analysis, it is difficult to understand what constitutes the required duties for a particular job. If we don't know what an employee is supposed to do on the job, we won't know what needs to be evaluated and how to do so (Ibid).

2. Performance planning

Performance planning is used to provide a structured approach to the attainment of the desired level of performance for both individuals and teams. The Planning Phase is crucial and some writers argue that 80% of time and effort should be allocated to this phase (O'Callaghan, 2005). If the focus is on inappropriate aspects of the organization (i.e. the goals do not contribute to long-term strategy achievement and stakeholder requirements), none of the subsequent phases will be worthwhile. If the focus is inappropriate, it often leads to de-motivation, lack of credibility and failure of the business.

The performance planning stage has the goal for employees to have a thorough knowledge of the performance management system. At the beginning of each performance cycle, the supervisor and the employee meet to discuss, and agree on, what needs to be done and how it should be done. This performance planning discussion includes a consideration of results, behaviors, and development plan. An

important step before the review cycle begins is for the supervisor and employee to agree on a development plan. At a minimum, this plan should include identifying areas that need improvement and setting goals to be achieved in each area (see also Pulakos,2004; p.4).

Development plans usually include both results and behaviors. In a nutshell, personal development plans allow employees to answer the following questions: How can I continually learn and grow in the next year? How can I do better in the future? How can I avoid performance problems faced in the past? Information to be used in designing development plans comes from the appraisal form. Specifically, a development plan can be designed based on each of the performance dimensions evaluated. For example, if the performance dimension “communication” is rated as substandard, this area would be targeted by the development plan. A tool that has become popular in helping employees, particularly those in supervisory roles, improve performance by gathering information from different groups is the 360-degree feedback system (Grote, 1996).

These systems are called 360-degree systems because information is gathered from individuals all around the employee. Specifically, information on what performance dimensions could be improved is gathered from superiors, peers, customers, and subordinates. A 360-degree feedback system report usually includes information on dimensions for which there is agreement that further development is needed. This information is used to create a development plan. Implementing a 360-degree feedback system should not be a one-time-only event. The system should be in place and data collected over time on an ongoing basis (Ibid).

The implementation of ongoing 360-degree feedback systems is sometimes labeled a 720-degree feedback system, referring to the fact that the collection of 360-degree data takes place at least twice. In short, administering the system only once will not be as beneficial as administering the system repeatedly. Once the prerequisites are met and the planning phase has been completed, we are ready to begin the implementation of the performance management system. This includes performance execution, assessment, review, and renewal and re-contracting (Armstrong, 2006).

3. Performance execution

The employee strives to produce the results and display the behaviors agreed on earlier as well as to work on development needs. The employee has primary responsibility and ownership of this process. Employee participation does not begin at the performance execution stage, however. As noted earlier, employees need to have active input in the development of the job descriptions, performance standards, and the creation of the rating form. In addition, at later stages, employees are active participants in the evaluation process in that they provide a self-assessment and the performance review interview is a two-way communication process (Armstrong, 2009)

Although the employee has primary responsibilities for performance execution, the supervisor also needs to do his or her share of the work (shared responsibility). Supervisors have primary responsibility over issues such as Observation and documentation, Updates, Feedback, Resources, Reinforcement.

4. Performance Assessment

In the assessment phase, both the employee and the manager are responsible for evaluating the extent to which the desired behaviors have been displayed, and whether the desired results have been achieved. Although many sources can be used to collect performance information (for example, peers or subordinates), in most cases the direct supervisor provides the information. This also includes an evaluation of the extent to which the goals stated in the development plan have been achieved (Ibid).

The fact that both parties are involved in the assessment provides good information to be used in the review phase. 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. The inclusion of self-ratings helps emphasize possible discrepancies between self-views and the views that important others (that is, supervisors) have, and can reduce an employee's defensiveness during an appraisal meeting and increase the employee's satisfaction with the performance management

system, as well as enhance perceptions of accuracy and fairness and therefore acceptance of the system (Grote, 1996).

5. Performance review

The performance review stage involves the meeting between the employee and the manager to review their assessments. This meeting is usually called the *appraisal meeting or discussion*. The appraisal meeting is important because it provides a formal setting in which the employee receives feedback on his or her performance. Providing feedback in an effective manner is extremely important because it leads not only to performance improvement but also to employee satisfaction with the system (see also Pulakos, 2004). Appraisal meeting is regarded as a review of the past, that is, what was done (results) and how it was done (behaviors). However, the appraisal meeting should also include a discussion of the employee's development progress as well as plans for the future. In short, the appraisal discussion focuses on the past (what has been done and how), the present (what compensation is received or denied as a result), and the future (goals to be attained before the upcoming review session).

Feedback is a performance dialogue in a bi-information exchange to convey messages about the performance outcome. London et al, (2004) note that feedback can play a key role along with goal setting, in self regulation performance. In general, feedback pays due attention to performance goals that are important to the organizations when it discover errors, maintain goal directions, influence new goals, provide information on performance capabilities and on how much more effort or energy is needed to achieve goals, and feedback assess positively when the goal is fully realized.

Armstrong (2000) listed out the following aspects to be followed in giving feedback on performance evaluation:

- Building feedback in to the jobs makes the feedback timely and consistent
- Provide feedback on actual events. The actual feedback must be based on the actual results or observed behavior and supported by evidence

- Do not judge feedback. It should be presented as a description of what has happened but should not be accompanied by a judgment;
- Select key issues and stick to them
- Focus on the aspect of performance that the individual can improve
- Provide positive feedback. It should be on the things that the employee did well in addition to areas for improvement.

Grossman and Parkinson (2002) cited in Armstrong (2009), offer the following six recommendations for conducting effective performance reviews:

1. Identify what the employee has done well and poorly by citing specific positive and negative behaviors.
2. Solicit feedback from your employee about these behaviors.
3. Listen for reactions and explanations.
4. Discuss the implications of changing, or not changing, the behaviors. Positive feedback is best, but an employee must be made aware of what will happen if any poor performance continues.
5. Explain to the employee how skills used in past achievements can help him or her overcome any current performance problems.
6. Agree on an action plan. Encourage the employee to invest in improving his or her performance by asking questions such as “What ideas do you have for ?” and “What suggestions do you have for ?”
7. Set up a meeting to follow up and agree on the behaviors, actions, and attitudes to be evaluated.

6. Performance reward and recognition

Recognizing individual, team/group for the efforts they contribute toward the achievement of institutional goal is called rewarding. It is also acknowledgement of better performance backed by different incentives. Reward has two consequences, (i.e. positive or negative) following a past experience of performance. In addition, performance measurement could entail accountability, which reward performers based on their past achievement, which guide to encourage others (Margaret and Carolin, cited in Pulakos, 2004). Accordingly, reward can be used in different ways like participating the performer in decision making process, which promote accountability, transparency, responsiveness and capacity building that in turn enhances the quality of products and/or services in an institution. Furthermore, to make performer dedicated, institutions should develop performance reward procedure manual in their performance management policy. There are various kinds of rewarding methods like salary increment, financial bonuses, sophisticated materials, work promotion and so on (Armstrong, 2009; Pulakos, 2004)

7. Performance renewal and Re-contracting

This final stage is identical to the performance planning component. The main difference is that the renewal and re-contracting stage uses the insights and information gained from the other phases. Foreexample, some of the goals may have been set unrealistically high given an unexpected economic downturn. This would lead to setting less ambitious goals for the upcoming review period.

The researcher has drawn a lesson from these processes that performance management process includes a cycle that starts with prerequisites and ends with performance renewal and re-contracting. The cycle is not over after the renewal and re-contracting stage. In fact, the process starts all over again: there needs to be a discussion of prerequisites, including the organization's mission and strategic goals and the job's KSAs. Because markets change, customers' preferences and needs change, and products change, there is a need to continuously monitor the prerequisites so that performance planning, and all the sub-sequent stages, are consistent with the organization's strategic objectives. Finally, one of the main goals of any performance management system is to promote the achievement of organization-wide goals.

Obviously, if managers and employees are not aware of these strategic goals, it is unlikely that the performance management system will be instrumental in accomplishing the strategic goals.

According to Markus (2004), there are also some pre-requisites of effective performance management system in addition to the above processes. This includes:

- A. *clear purposes*: As explained in the above section, performance management is the systematic processes of planning work and setting expectation, continually monitoring performance, developing the capacity to perform, periodically rating performance in a summary fashion, and rewarding good performance. To achieve this, every organization must have a clear idea of critical success factors, as well as performance management culture, meaning an emphasis on individual accountability and results. The performance management system must be able to identify, facilitate and track individual development and succession planning.
- B. *Business performance management culture*: if performance is not monitored at the organizational level, then reviewing the performance of individuals is meaningless. A business performance management culture means that senior management values and insists on measurement of those business factors that are critical to the success of the organization. The typical financial measurement system is merely a measure of what happened last period, but other measures, such as customer relationships, internal process, and development activity indicates the organization's fitness to meet the future. Therefore, clear organizational values and strategies and a scorecard approach to measurement of organizational performance are the tools that underpin a performance management culture.
- C. *Alignment*: as means of ensuring every individual is aligned with the organization, that each individual understands their contribution and its importance. If there is a lack of clarity regarding where the organization wants to go, or the relationship between the organization's mission and strategies and each of its unit's mission and strategies is not clear, there will be a lack of clarity regarding what each employee needs to do and achieve to help the organization get there.

D. *Fairness*: perceptions of fairness are based on comparisons. Typically, staff compares their inputs, such as an expertise, their job performance and their compensation with others. The key factor in ensuring staff feel that their compensation is fair is procedural justice. Staff needs to feel that the method need to determine relative pay is fair.

Pulakos (2004) in her writing “*Performance management: A roadmap for developing, implementing and evaluating performance management systems*” identified five basic phases of performance management system that several organizations use. These include: Performance planning, ongoing feedback, employee input, performance evaluation, and performance review (Pulakos, 2004; p4-6). Furthermore, Watkin (2007), cited in Iyang et al (2009) has mentioned performance management model as the processes of:

1. Identifying desired performance
2. Defining performance objectives
3. Defining performance assessments
4. Identifying a solution set
5. Designing and developing performance solution
6. Conducting formative evaluation
7. Implementation and continual improvement.

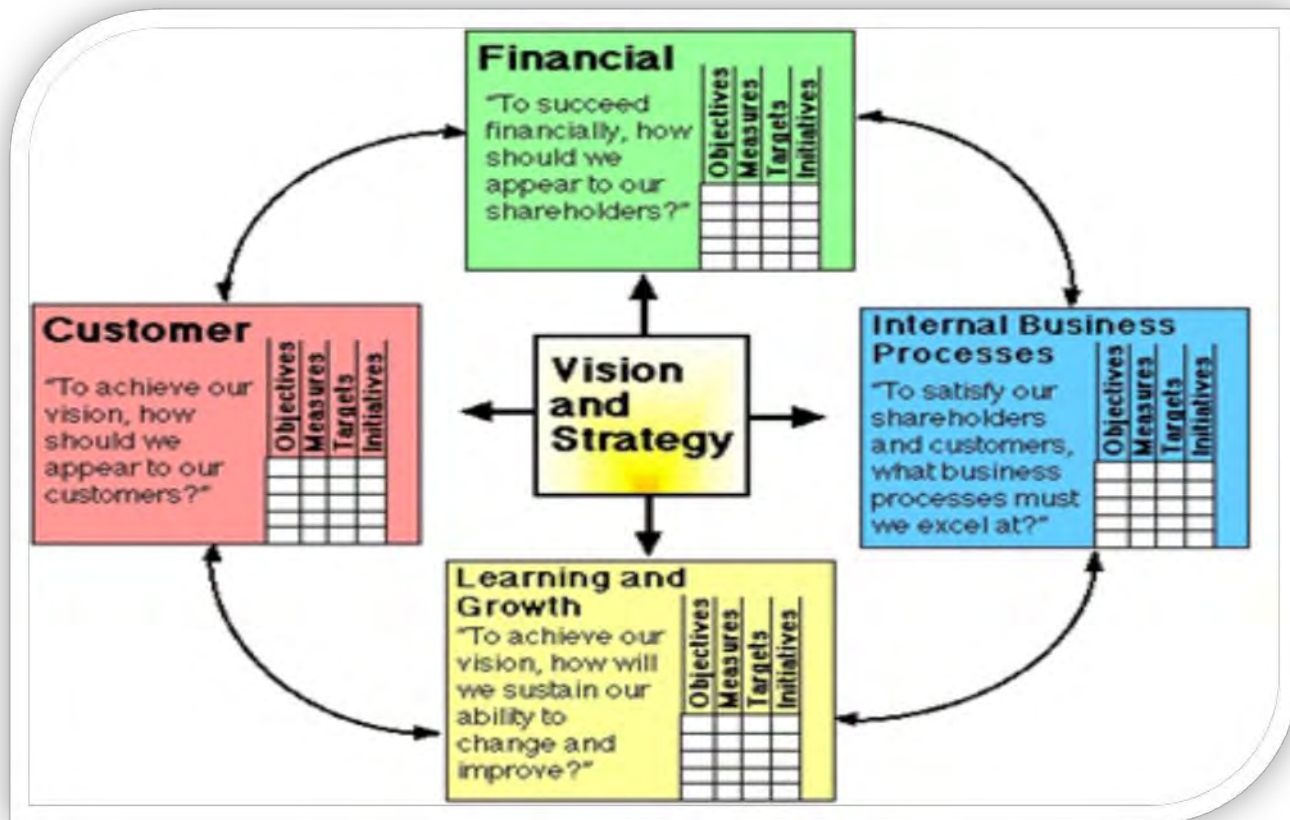
In Ethiopia, the performance management processes in the bank understudy shares all elements from the above literatures. It involves performance planning, performance monitoring, developing, rating, and rewarding. Through the implementation of the Balanced Scorecard (BSC) as the performance measurement tool, performance planning, performance assessment (review) and performance evaluation, recognition and reward are main components in the bank though the practice is still going to be assessed.

2.2. The Balanced score card (BSC)

The last three decades has been termed as “information age” because knowledge and information were more readily available than ever before. Knowledge and information are now competitive factors for today’s organizations. In a knowledge based business environment, intangible assets create value for any organization while traditional tangible assets become less important. Some organizations are comprised almost entirely of intangible assets such as new product, innovation, brands or unique organizational design, which are difficult to measure with traditional financial accounting systems. The increasing importance of intangible assets creates a need for a different type of performance measurement systems (Ozturk and Coskun, 2014).

Performance measurement has received considerable criticisms in the 1980s and early 1990s for being restricted to financial measures and robust accounting methods in evaluating the performance of organizations or more specifically their profitability (Metawi et al, 2005). In response to the criticisms and dissatisfactions with the traditional system, new performance measurement frameworks have been developed, out of which, the most well known and commonly used is the balanced scorecard. The balanced scorecard was first developed by Kaplan and Norton, to include both financial measures that report the result of action already taken and operational (non-financial) measures on customer satisfaction, internal processes, and the improvement activities (Kaplan and Norton, 1992). More specifically, the balanced scorecard is based on the combination of four key perspectives in performance measurement: Financial perspective, customer perspective, internal business processes, and learning and growth.

Fig. 1. Balanced Score card processes



Source: *The Balanced Score card framework*, Kaplan and Norton, 1996.

The **financial perspective**, as reflected in financial measures, is the most traditional and still most commonly used measurement tool. Financial measures are valuable in conveying the readily measurable economic consequence of action already taken. Financial measures are typically focused on profitability-related measures (the basis on which shareholders, in turn, typically gauge the success of their investments), such as return on capital, return on equity, return on sales, etc., (Kaplan et al.,1992). These measures are necessary for any organization trying to measure performance for a number of reasons. First, reporting of financial measures is expected and governed under law. Second, reporting of certain types of financial measures of firm performance is required by institutional bodies. For instance, in the case of Ethiopia, the national bank of Ethiopia needs each financial institution to prepare financial statements and annual reports. Third, reporting of financial measure is expected from all stakeholders as a way of framing and comparing organizational performance (ibid).

The *customer perspective* typically includes several core or general measures derived from the desired successful outcomes of a well formed and implemented strategy. This perspective defines how the organization differentiates itself from competitors to attract, retain, and deepen relationships with targeted customers. The value of the customer perspective is crucial because it helps an organization connects its internal processes to improved outcomes with its customers (Kaplan & Norton, 2001).

The *internal business processes* measures relate specifically to the operational processes of the business unit. Internal business processes perspective is based on the notion that to satisfy customers and earn a financial return, the business must be efficient and effective at what it does. It is based on the objective of the most efficiently and effectively producing product or services that meet customers' needs. *Learning and growth measures* represent the employees as part of the four pillars used to measure performance with the BSC framework. The innovation and learning perspective is all about developing the capabilities and processes needed for the future.

Effective balanced scorecards are closely linked to the organization's strategy so that people can understand the strategy by looking only at the scorecard and its strategy map (Kaplan & Norton, 2001, 2004). Balanced scorecards heighten awareness of the potential tradeoffs among various goals and thereby help ensure that the organization does not optimize one goal (for example, profit) at the expense of another (for example, customer satisfaction).

The scorecard has been used successfully by organizations (public, private and not-for-profit) to realize and integrate the strategic contribution of all relevant organizational value drivers for two key reasons: First, it helps to ensure consistency and alignment between the non-financial and the financial measures, (this helps to facilitate the alignment of the measures and strategy). Second, it helps to identify and measure the specific value drivers that underpin performance. This allows managers to test their hypotheses on what is driving organizational outcomes. The balanced scorecard provides an approach to deciding where the organization is heading (it's strategies), what is needed to get there (objectives) and, what has to be measured and controlled now to ensure that it stays on course to deliver the desired outcome in the future.

To sum up, the designer of the concept, Robert S. Kaplan and David P. Norton of the Harvard Business school, argues that the balanced score card as a performance management mechanism gives due emphasis to the following key issues:

- Align departmental and individual goals to the corporate strategy
- Clarify and gain consensus on the strategy of the organization
- Communicate strategy throughout the organization,
- Bind strategic objectives to long term targets and annual budgets
- Undertake periodic and systematic reviews and
- Receive feed-back to learn about and improve strategy and overall performance of the organizations (Kaplan and Norton, 1996).

2.2.1. Building Balanced Scorecard

There are two Approaches of building balanced score card:

1. Evans' Seven Steps Approach

Evans E. (2004) has identified the following seven steps in building the BSC:

Phase I: The Strategic Foundation

Step 1: Communicate and align the organization around a clear and concise strategy.

Step 2: Determine the major strategic areas

Step 3: Build a strategic grid for each major strategic area (step 2) of the business

Phase II: Three Critical Components

Step 4: Establish Measurements

Step 5: Set Targets for each measurement

Step 6: Launch Programs:

Phase III: Deployment

Step 7: Once the Balanced Scorecard has been built, you need to push the entire process into other parts of the organization until you construct a single coherent management system.

2. The Balanced Score Card Institute Approach (9 steps)

The Balanced score card institute (BSCI) has developed nine steps in building organizational BSC. The first six steps are called the preparation phase and the last three are implementation phases (BSCI, 2008).

Step 1. Assessment: here, the organization conducts thorough assessment of the current situation of the organization and the environment it operates in. It focuses on analysis of key issues and challenges, usually using PEST (Political, Economic, Social and technological) and SWOT (strength, weakness, Opportunities and threats) techniques in order to identify what needs to be done to achieve success in the current and predicted environment.

Step 2. Strategy development: the organization decides on elements of its strategy, including strategic objectives for the four perspectives (financial, customer, internal business processes, learning and growth). The primary attention, at this stage, rests on customer needs and financial necessities and how the organization intends to deliver through internal processes, and Learning and Growth.

Step 3. Objective development: in this phase, strategic themes are translated in to tangible and feasible strategic objectives. Strategic objectives are fundamental building blocks for a strategy and define the organization's strategic intent.

Step 4. Strategic map: this is the stage where an organization link strategic objectives in a web of cause and effect relationships. All the strategic objectives are interlocked together in cause and effect chains, beginning with employees, going through processes and customer, ending in greater financial performance or customer satisfaction depending on the nature of the organization i.e private or public entity.

Step 5. Performance measure/indicator : at this phase, performance measures/indicators are developed for each strategic objective along with baseline or benchmarking data and clear targets. It is quite important to identify a basket of measure so as to make sure that both qualitative and quantitative results are properly considered.

Figure2. Steps in Balanced Score card



Source: *The Balanced Scorecard Institute, 2008*

Step 8. Cascading: is getting organizational strategy down to all units/departments, and individual employees in the organizations. The cascading process is done based on the conformity between the nature of the task the nature of the unit/department , and staff member. It is based on the cascaded plan that each units or individual's performance is evaluated at the end of the year.

Stape 9. Monitoring and evaluation: this phase includes key activities such as designing monitoring and evaluation system, developing evaluation plan, evaluating actual performance against planned strategic objectives and taking corrective measures based on the result.

2.3. Empirical Literature

2.3.1. Implementation of PMS in different countries.

The period from the late 1970s through to the mid 1990s witnessed government around the globe introducing management reforms in the public sector from the private sector as a way of improving performance. These reforms are based on the managerialist belief that there is a body of sound management practice applicable to the private sector that is generic in its scope, and thus directly transferable to the public sector. So the New Public Management (NPM) had become a major vehicle through which the old public service management style was being transformed (Bulawa, 2011). Developed countries such as New Zeland, United Kingdom, and United States of America were the leading proponents of such reforms which became models emulated elsewhere. It was against this background that the PMS came in to effect as a management reform (Kettl, 1997, cited in Bulawa,2011).

Since then, empirical studies on the implementation and effectiveness of PMS have been undertaken in different countries and organizations. In this section the study tried to look into the implementation and effectiveness of performance management system and the experience of some countries. A study conducted by Anu and Devina (2012) on Impact of effectiveness of performance management system highlight that there is a significant relationship between PMS and employees job satisfaction. The finding states that effective performance management system builds the *loyalty index* of the employee to keep them happy and motivate them to work their best.

Another study conducted on Pakistan Alfalah bank using qualitative research methodology shows that, due to lack of motivation and reward system in implementation

of PMS in the bank the employees of Alfalah bank have facing the problem of dissatisfaction from their current performance management.

In general, though PMS was properly implemented in Alfalah bank, there were no employee involvements in setting standard of performance management to evaluate performance of each employee ((Farheen et al, 2014).

On the other hand, a study conducted by Andre De Waal (2007) on the applicability of PMS in developing countries case study Tanzania college of business education highlights that most developing countries concentrate more on introducing and copying tools and systems from the Western world which are not always the best suited to local circumstances and this leads to the question whether Western techniques like performance management are suitable for developing countries. The finding of the research revealed that the management team of the college was not satisfied by the PMS which the college adopted because there was lack of awareness and by the fact that the college management had not spend much time talking about performance management.

In addition, Macheng et al (2014) have done research on implementation of PMS on schools in Botswana and their result indicates that there are four main factors which have to be done by organization in order for PMS to be implemented successfully. These are design and implementation, effective communication and feedback, motivation and a clear assessment strategy. Their research concludes that Effective communication and timely feedback are important success factors for a performance management system in an organization.

The research by Zvavahera (2013) entitled “*an evaluation of the effectiveness of PMS on service delivery in Zimbabwean civil service*” revealed that the performance management system was fraught with challenges due to its complexity and no-adherence to its tenets by the employer. It also indicates that performance related awards, one of the elements of PMS processes, had not been effected for long period of time since its implementation due to financial constraints and non-submission of employees’ final rating to the concerned body for payment purposes. He has also found that advancement and promotions are not tied to performance. In conclusion, Zvavahera wrote as follows:

Most respondents indicated that performance appraisal was hurriedly done at the end of each year so as to fulfill the Civil Service Commissions' performance requirements. It was therefore, concluded that the current PMS was not enhancing the provisions of quality service because employees did not see any merit in its application (Page 6).

Moreover, Rachna et al (2015) have recently studied a comparative assessment of performance management system effectiveness in public and private sector. The result of their study revealed that PMS is taken seriously and conducted accurately and systematically in private sector, where as it is treated as a mere formality in the public sector organization. After conducting analytical research, they further argued that the employees of private sectors have full knowledge of performance management activities and methods prevailing in their respective organizations, and also proved that the satisfaction level of the employees of the private sectors are much more than that of the employees of public sector (Rachna and Mishra,2015).

2.3.2. Performance Management System in Ethiopian Public sector

In Ethiopia, the EPRDF led government has embarked up on reforming the public sector in the country in 1990s, as a means of enhancing the overall performance of the sector in the process of achieving socio-economic development and societal transformation (Paulos,2001; Tesfaye 2009). Since then, the country has passed through robust and comprehensive public sector reform measures, especially BPR and BSC, for the last two decades. Accordingly, all government agencies including banks have been implementing the PMS with the use of these tools.

The study made by Tessema (2005) cited in Andre de Waal (2007) on the applicability of PMS using BCS as its tool also reveals that more and more Ethiopian enterprises were expressing a strong interest in the BSC, their managers were starting to acknowledge importance of regular formal and informal performance review meetings, communication about results was being improved by applying modern means of communication like the internet , people were willing to train in the use of performance management, and government was fostering the improvement of performance.

The study conducted by Melat (2014), at the Ethiopian Management Institute, on performance management practice indicates that organizational goal were not fully aligned with individual and departmental goal, participation of employee's in planning stage of PMS is not across all staffs of the organization, lack of regular feedback, and lack of uniformity in gathering information on employee's performance are major problems in PMS implementation. Similarly, the result of the study conducted by Dereje (2015) regarding the implantations of PMS in Addis Ababa City Administration, with taking Addis Ketema Sub city Wereda 2, indicates that the performance management processes of the study wereda needs serious consideration to reap some fruits out of it. In short, the study has found out that the whole processes of performance planning, provision of ongoing coaching and technical supports to the implementing agencies and individuals, recognition and reward, and ensuring performance accountability both at individual employee and organizational levels were not on the right track to bring about meaningful performance improvement. Dereje (2015) further added that the problem is associated with the need to shift to and institutionalization of effective modern performance management system and practice on the one hand, and inability to break away from traditional bureaucratic mentality and practices on the other.

From these empirical studies, it is possible to conclude that the performance management system implementation and effectiveness vary from country to country, from sector to sector and also from organization to organization. Based on these literatures and the data that was gathered from primary and secondary sources, this study has tried to assess the implementation of PMS in the Commercial bank of Ethiopia.

2.3.2. The Practicality of BSC to Performance Management System

A wide range of empirical research supports the effectiveness of the BSC in translating strategic objective in to relevant performance measures that drive performance towards those objectives. There is a broad consensus that the BSC is most effective when used to drive organizational change and in focusing and sustaining revitalization and continues improvement efforts. For example, big global company such as Apple Computer Company, Advanced Micro devices, Nat West bank and others have been using the BSC

as performance management tool for long period of time and they have benefited from the use of the tool (Newing, 1994; Kaplan et al 1996b).

Newing (1994) examined that the use of BSC to National West-minister bank (NatWest Bank) as it has helped the bank to improve the quality, service and speed and help change the corporate culture from its traditional command and control structure to culture based up on empowerment and coaching. The bank deemed the effort successful in aligning performance measurement to the long term strategic goals, enhancing the ability to better manage the business and its resources, and in establishing a performance measurement system that was consistent and understood by employees at all levels. BSC helps to overcome the traditional bias in banking toward financial reporting by introducing a system that can take a long term view and takes account of factors such as learning and innovation which gives a richer picture than driving the business based on financial alone.

The applicability of BSC to the public sector was also demonstrated by Sayfert et al(1998) through a study examining the experience of North Carlina, the first city in USA to utilize the BSC in are such as transportation, economic development, neighborhood and government restructuring. The BSC proved a useful tool in helping the city to focus its efforts, improve motivation of employees, and enhance government accountability while also highlighting specific processes needing improvement to enable the city council to achieve its strategic objectives.

Yansheng Zhang and Longyi (2009) studied the Balance scorecard as a tool for measuring performance management system in commercial banks. The result of the study shows that BSC is not only indicator of appraisal system, but also a strategic management system. In essence the commercial banks are comprehensive, multi-function financial enterprises which operate in terms of profits and financial assets and financial services as a target. Commercial banks should not only focus on quantitative analysis about the financial profitability, liquidity and safety but also on effective qualitative analysis about bank risk control, internal management, customer service levels when it takes performance assessment. They further argued that Balanced Scorecard has great foresight for the future development of the bank, and takes the long-term development into

account, which makes banks to have a high degree of adaptability and long-term strategy when they are in the face of rapidly changing business environment (Yansheng et al, 2009; pp.206-207).

Recently, the study conducted by Mohd (2014) *on the effect of PMS and organizational culture on the employees attitude in Malaysian government* supports the practicality of BSC as a performance management tool. The research indicates that the use of BSC as a strategic management system will enable the management's strategy and vision to be translated in to realistic and achievable goals.

2.4. Performance Management Using BSC in Ethiopian Context

In Ethiopia, as part of its effort to improve the performance of the public service, the government has introduced different performance management tools mainly, BPR (2004) and BSC (2010) (FDRE-MoCS, 2013). Recently, most government organizations including publically owned banks have started to use BSC as performance measurement tool. For example, the Development bank of Ethiopia and the Commercial bank of Ethiopia have implemented the tool in 2013 and in 2014 respectively.

The result of the study conducted by Asrat (2014) on "*Design and implementation of BSC in Development bank of Ethiopia*" indicates that the readiness for the BSC design and implementation made by the bank was commendable, in a sense that designing phase was done properly in terms of strategic plan preparation and in terms of corporate scorecard alignment with processes and strategy. But, the study revealed that the BSC implementation was at early stage in individual level, though it is at a decent stage at corporate and process level. Asrat (2014) further put that lack of adequate knowledge on the BSC, insufficient participation, lack of consistent monitoring and evaluation, gaps in measurement and targets in the cascading processes are the major problem facing the bank.

On the other hand, the study made by Siyum (2011) regarding the assessment of PMS application in selected commercial banks in Ethiopia using the BSC revealed that Ethiopian commercial banks can implement the BSC so that they can focus on the core strategies in order to create and deliver superior values and returns to their stakeholders.

The study further recommended that these banks should implement BSC and multi-dimensional measures as the PMS and strategic implementation tools to improve their operational performance and profitability. Accordingly, the commercial bank of Ethiopia has also implemented the BSC as a PMS tool using the nine (9) steps approach mentioned above.

2.5. Conclusion of literature reviewed

From the above broad portion of literature, it is possible to conclude that the performance management system is not a onetime event, but it is a process and cyclical in nature. Although there are various number of performance management system models, almost all the models agree that the process involves clear identification of vision, mission and goals, implementation of applicable performance management tools, alignment of individual and team objective with corporate strategic objective, development and provision of feedback and coaching, performance appraisal and evaluation, and finally attachment of reward and/or sanction based on the result of evaluation. In addition to this, the researcher has come to understand that the process is not over there. Rather, it continues with performance planning and renewal as a means of improvement of the system in setting and achieving organizational corporate objective effectively.

Finally, it is possible to conclude that the performance management system implementation and effectiveness vary from country to country, from sector to sector and also from organization to organization. Based on these literatures and the data that was gathered from primary and secondary sources, this study has tried to assess the implementation of PMS in the Commercial bank of Ethiopia.

CHAPTER THREE

DATA DESCRIPTION AND PRESENTATION

3.1. Introduction

As it was outlined in the first chapter, data for this study have been collected through the use of self administered questionnaire, in-depth interview of key respondents and reviewing of secondary sources in the district understudy and HR department. This chapter is concerned with description and analysis of the data collected. It has two main sections. First, demographic features of respondents with regards to sex, age, work experience, educational status and their current position is presented and analyzed. Second, results of the basic research questions are described using the frequency table and percentage. In order to obtain the relevant information, 270 copies of the questionnaire were distributed to individual employees and managers of the selected branches. Out of this, 264 copies were completed and returned and 6 copies of the questionnaire were not returned. This makes the response rate 97.5%. While distributing the questionnaire, the researcher has taken grade level of the branch in to account and accordingly, a total number of 110, 80, 50 and 30 questionnaire were distributed to grade 4, 3, 2 and 1 respectively.

Table 3.1 below shows the total number of questionnaires distributed to different branches, the branch grade and name of the branch from which the questionnaire was collected.

S.No.	Name of participating branches	Grade	Number of questionnaire distributed
1	Addis ketema	4	55
2	Tekilehaymanot	4	55
3	Paulos	3	40
4	Kolfe	3	40
5	Addisumikael	2	25
6	Sefereselam	2	25
7	Teji	1	15
8	Karabu	1	15
	Total		270

So as to increase the validity of the information obtained, interview was made with Employee Performance Management (EPM) team, with the branch managers of the selected branches and District HR Business Managers & District HR Business Officers. The rationale behind this was to have clear information about the implementation of PMS in the district and to triangulate the data gathered through questionnaire. The output was processed using SPSS (Statistical package for social science) version 20 to get frequencies and other descriptive statistics and presented using frequency tables.

3.2. Profile of Respondents

To increase the comprehensiveness and reliability of the data, questionnaire was distributed to all grade categories, and also collected from each group of respondent's sex, age, work experience, educational status and current position. Accordingly, employees from these categories were participated in filling out the questionnaire. As indicated in table 3.1 below, 100 respondents (37.9%) are female and the remaining 164 (62.1%) constitutes male respondents.

Table 3.2. Gender of the respondents

Sex	Frequency	Percent	Valid Percent	Cumulative Percent
Female	100	37.9	37.9	37.9
Valid Male	164	62.1	62.1	100.0
Total	264	100.0	100.0	

Source: survey data, 2016

Table 3.3. Age of the respondents

Age	Frequency	Percent	Valid Percent	Cumulative Percent
20-25	32	12.1	12.1	12.1
25-35	192	72.7	72.7	84.8
Valid 35-45	32	12.1	12.1	97.0
>45	8	3.0	3.0	100.0
Total	264	100.0	100.0	

Source: survey data, 2016

Concerning the age group of the respondents, the larger portion of the respondents that is 192 (72.7%) falls with age group of 25 to 35. Age group from 20 to 25, 35 to 45, and greater than 45 holds 32 (12.1%), 32 (12.1) and 8 (3%) number of respondents respectively. With regard to respondent's academic qualification, the survey data shows that 16 of the total respondents (6.1%) are Diploma holders, 240 of them (90.9%) are first degree holders and the rest 3% were second degree holders. There is no one working with Certificate and PhD at all. Table 3.4 below shows the educational status of the respondents.

Table 3.4. Educational status

Academic qualification	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Certificate	0	0	0	0
Diploma	16	6.1	6.1	6.1
B.A Degree	240	90.9	90.9	97.0
M.A degree	8	3.0	3.0	100.0
PhD	0	0	0	
Total	264	100.0	100.0	

Source: Survey data, 2016

From the total respondents included in the study, majority of them (39.4%) had served the bank from three to five years, and 27.3 % had served more than five years. On the other hand, the table (table 3.5) indicates that 32 (12.1%) and 56 (21.2%) individuals had 1 to 2 and 2 to 3 years of experience respectively.

Table 3.5. Work experience of respondents

Length of service	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-2 year	32	12.1	12.1	12.1
2-3 years	56	21.2	21.2	33.3
3-5years	104	39.4	39.4	72.7
> 5 years	72	27.3	27.3	100.0
Total	264	100.0	100.0	

Source: survey data,2016

Concerning their work position, the respondents were serving at different operational and managerial areas from Customer Service Officer (CSO) to Customer Service Manager (CSM). Accordingly, the survey data indicates that 6.1%, 9.1%, 81.8%, and 3% of the respondents are Customer Service Manager, Senior Customer Service Officer (SCSO), Customer service officer (CSO), and Customer relationship officer (CRO) respectively.

Table 3.6. Respondent’s current work position

Work position	Frequency	Percent	Valid Percent	Cumulative Percent
Customer service manager (CSM)	16	6.1	6.1	9.1
Valid SCSO	24	9.1	9.1	18.2
CSO	216	81.8	81.8	97.0
CRO	8	3.0	3.0	100.0
Total	264	100.0	100.0	

Source: Survey data, 2016

N.B. CSO-Customer Service Officer

SCSO- Senior Customer Service Officer

CRO- Customer Relation Officer

3.3. Results of the Questionnaire

This section deals with the main results of the data gathered about the implementation of PMS in CBE West Addis Ababa district through questionnaire and in-depth interview for triangulation purpose. The results are presented in tables followed by paragraphs explaining the tables.

3.3.1. Analysis of Performance Management System in CBE West Addis District.

It is known that before implementing performance management system, the strategic objective of the organization should be known and clear to the employees working in it. On the other hand, employees have to know the strategic objective of the organization as long as they are working towards the achievement of organizational goal.

Accordingly, the respondents were asked whether they know the strategic objective of the bank. Consequently, majority of the respondents, which is 248 (93.9%), replied that they know the strategic objectives of the bank whereas 16 of them (6.1%) said that they do not know the strategic objective of the bank. The following table (table 3.7) shows the result.

Table 3.7. Do you know the strategic objectives of the bank?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	248	93.9	93.9	93.9
No	16	6.1	6.1	100.0
Total	264	100.0	100.0	

Source: Survey data, 2016

Respondents were also asked if the process and objective of PMS had described to them clearly when the bank introduced it. Accordingly, majority of the respondent i.e.192 (72.7%) said that the process and objective of PMS was not described to them clearly before implementation of the system, and only 27.3% of the total respondent elucidate that the objective of PMS was clearly explained to them.

Table 3.8. When the bank introduced performance management system (PMS) at the branch level, were the process and objective of performance management system described to you clearly?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	72	27.3	27.3	27.3
No	192	72.7	72.7	100.0
Total	264	100.0	100.0	

Source: survey data, 2016

Respondents were also asked whether they know the concept and objective of PMS. The result shows that most of the respondents (81.8%) confirmed they have low awareness (no clue) about the concept and objective of PMS. Only 48 individuals (18.2%) said that they know and understand the concept and objective of the current PMS that it can enhance the ability and capacity of individuals and boost the performance of the organization in general.

Table 3.9 Awareness about the concept and objective of PMS

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	48	18.2	18.2	18.2
No	216	81.8	81.8	100.0
Total	264	100.0	100.0	

Source: survey data, 2016

On the other hand, majority of branch managers answered that they know what PMS is and its main objective of developing the performance of the bank by improving the effectiveness and performance capabilities of teams and individuals working in it. Some of them agreed that PMS is implemented only to motivate employees and reward top performers. There were also respondents who replied that they are doing and conducting it periodically because they are obliged to do so.

The result of an interview with district HR officers and EPM experts on the awareness of the concept and goals of PMS also point out that though all individuals have no sufficient understanding about the purpose of PMS, in recent times employees could come to know what it mean and its purpose of developing team and individual performance and then improving the performance of the organization. Informants also added that they are making awareness creation among lower level staffs and line managers (especially through training) so that all employees will come to understand the purpose and objective of PMS and works toward the achievement of these goals.

The other question which was forwarded to the respondents was the opinion regarding the participation of employees in corporate plan preparation. Literature indicates that there should be a discussion and meeting between managers and employees while setting goals and targets at every level. As a result, 184 (69.7%) responded that employees of the bank do not participate in bank's corporate plan preparation. On the other hand, 15.2% answered neutral and the rest (15.2%) agree with the question.

Table 3.10. Employees of CBE participate in the bank’s corporate performance plan preparation.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	0	0	0	0
Agree	40	15.2	15.2	15.2
Neutral	40	15.2	15.2	30.3
Disagree	160	60.6	60.6	90.9
Strongly disagree	24	9.1	9.1	100.0
Total	264	100.0	100.0	

Source: survey data, 2016

The document reviewed on the communication between manager and an employee during the performance planning phase states that there was no communication with staff during performance planning and cascading of goals and targets in the district understudy (Branch Visit Report, 2015).

Concerning their level of agreement with regard to the alignment of individual and team objective with corporate strategic objective, 136 (51.5%) and 24 (9.1%) replied agree and strongly agree respectively. According to the survey, 80 individuals (30.3%) said that they neither agree nor disagree with the alignment of corporate strategy, and the remaining 24 (9.1%) disagreed with the case. Table 3.10 below shows respondents’ level of agreement on the organizational goal alignment with team and individual objectives.

Table 3.11. The bank's corporate strategy were fully aligned with individual and team objectives

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	24	9.1	9.1	9.1
Agree	136	51.5	51.5	60.6
Neutral	80	30.3	30.3	90.9
Disagree	24	9.1	9.1	100.0
Total	264	100.0	100.0	

Source: survey data, 2016

Respondents of interview all in all also replied that the bank's corporate strategy is cascaded down ward to team and individual objectives and therefore, there is clear sight between strategic objective and individual objective.

The other question that respondents were asked was if the current PMS has improved their performance so far.

Table 3.12. Does the PMS improve your performance so far?

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	168	63.6	63.6	63.6
Valid No	96	36.4	36.4	100.0
Total	264	100.0	100.0	

Source: survey data, 2016

It is known that the main objective of PMS is to develop the performance of an organization by developing the capabilities of teams and individual working in them. Accordingly, majority of the respondent (63.6%) argued that the current PMS has improved their performance and the remaining 36.4% said "No" to the question Asked whether they had taken training on the PMS tools, BSC, almost all (about 96.2%) employees replied that they did not have taken training on the concept. Only those who are at the managerial position (3.8%) had taken a training on implementation of the balanced score card. The respondents of an interview, however, said that they have taken training on the concept for more than one time.

Table 3.13. Have you ever taken training on BSC?

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	10	3.8	3.8	3.8
Valid No	254	96.2	96.2	100.0
Total	264	100.0	100.0	

Source: survey data, 2016

As indicated in the following table, respondents were asked if there is fair and proper cascading of work (target distribution) as per their job description. Consequently, greater

part of them (96.6%) answered that there is no fair and proper cascading system in the branch.

Table 3.14. Do you think there is a fair and proper target distribution among all staffs according to their task and responsibility?

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	9	3.4	3.4	3.4
Valid No	255	96.6	96.6	100.0
Total	264	100.0	100.0	

Source: survey data, 2016

The respondents were asked the reason for unfair and improper cascading system (open ended question, question number 11) and they replied lack of skill in cascading and paying less attention to the process of cascading as the main reason.

From the total of 264 respondents included in the study, only 5 of them (1.9%) strongly agree that all the four BSC perspectives are equally implemented in the branch and 17 (6.4%) respondents argued that they agree with the question. Greater part of the respondents (82.6%) replied that they totally disagree with the equality of the four perspectives in the branch. Finally, 3% and 6.1 % of the total respondents answered that they neither agree nor disagree, and strongly disagree to the question respectively.

Table 3.15. All the four BSC perspectives (Financial, internal process, customer, and learning and growth) are equally implemented in the branch.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	5	1.9	1.9	1.9
Agree	17	6.4	6.4	8.3
Neutral	16	6.1	6.1	14.4
Valid Disagree	218	82.6	82.6	97.0
Strongly disagree	8	3.0	3.0	100.0
Total	264	100.0	100.0	

Source: survey data, 2016

Respondents were also asked the perspective which has got much attention (Question number 13 on questionnaire), and a significant number (68.6%) of them replied that

financial perspective is still given more emphasis than other perspectives. 10.6%, 11.1% and 9.7% answered that the bank has paid the attention to customer perspective, internal process and learning and development perspectives respectively

Table 3. 16. If your answer to question number 11 is Strongly Disagree or Disagree, which perspective do you think has given more emphasis?

Perspectives	Frequency	Percent	Valid Percent	Cumulative Percent
Financial	155	68.6	68.6	68.6
Customer	24	10.6	10.6	79.2
Internal processes	25	11.1	11.1	90.3
Learning and Growth	22	9.7	9.7	100.0
Total	226	100.0	100.0	

Source: Survey data, 2016

Regarding their level of agreement on the implementation of BSC steps, majority of the respondents (74.2%) disagreed that all the nine steps in building the BSC as noted in the literature part are not implemented yet. Only small percent of the respondents (3.4% and 2.7%) said that they agree and strongly agree respectively. 11.7% said that they are neutral to say all steps of BSC are well articulated and implemented in the bank. Table 3.17 below show the respondent’s level of agreement on the implementation of BSC steps.

Table 3.17. All the nine steps in building the BSC are well articulated and implemented.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	7	2.7	2.7	2.7
Agree	9	3.4	3.4	6.1
Neutral	31	11.7	11.7	17.8
Valid Disagree	196	74.2	74.2	92.0
Strongly disagree	21	8.0	8.0	100.0
Total	264	100.0	100.0	

Source: survey data, 2016

Respondents were also asked to name those steps that are not implemented aptly (open ended question no.14). Among the steps, respondents stated that cascading of strategic objectives, measures and targets are not well articulated in the CBE's Balanced Scorecard and also Automation in respect of BSC is not yet implemented.

Asked if target given to them can actually identify their real performance, 98 individuals (37.1%) replied that the target could identify the person with high potential and under performer, and 166 (62.9%) said that the targets could not represent the real performance of employees working in the bank.

Table 3.18. Do you think the target given to staffs to evaluate their performance can actually identify the person with high potential and under performers?

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	98	37.1	37.1	37.1
Valid No	166	62.9	62.9	100.0
Total	264	100.0	100.0	

Source: survey data, 2016

According to the respondents' view, one of the reasons for being unable to make out an employee with high potential and under performer (question no.16) is that some targets do not requires commitment and skill to achieve. For examples, as some respondents

explained targets given to employees working on foreign exchange window are out of their control and it does not depend on the required competency since it depends on the customer using the products and other external factors such as accessibility of the branch to foreigners. On the other hand, operational targets given for back office makers are easily attainable when compared to that of front office makers.

Respondents were also asked whether the targets and goals given to them follow elements of SMART approach. Accordingly, 57 (21.6%) replied that targets and goals given to them are both realistic and attainable. And 207 (78.4%) of them answered that goals and targets given to them are unrealistic and also unattainable.

Table 3.19. Do you think the targets given to you are realistic and attainable?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	57	21.6	21.6	21.6
No	207	78.4	78.4	100.0
Total	264	100.0	100.0	

Source: survey data, 2016

When asked the goals and targets that they think as unrealistic and unattainable (open ended question no. 7), majority of respondents stated goals and targets that are given to front office makers and chief cashier as an example. Zero posting error (error free transaction per quarter) and foreign currency mobilization (50% of branch's foreign currency plan), daily cash holding limit (no surplus in the branch) and other goals are among the goals and targets which respondents stated over ambitious. Some of the respondents wrote as follows:

“If a performer makes an error at the beginning of the quarter, he/she does not make any effort to work on that particular target. Hence the performer becomes de-motivated and does not strive to the achievement of other targets assigned to him/her.”

As the following table depicts, overwhelming number of respondents (80.7%) disagree or strongly disagree that all employees in the branch have equal level of understanding

regarding the concept of PMS. The remaining 11.4%, 6.1% and 1.9% responded Neutral, agree and strongly agree respectively.

Table 3.20. All employees in the branch have equal understanding regarding the concept of PMS.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	5	1.9	1.9	1.9
Agree	16	6.1	6.1	8.0
Neutral	30	11.4	11.4	19.3
Valid Disagree	186	70.5	70.5	89.8
Strongly disagree	27	10.2	10.2	100.0
Total	264	100.0	100.0	

Source: survey data, 2016

The result of the questionnaire also states that out of 264 individuals, 110 (41.7%) and 34 (12.9%) agree and strongly agree that the current PMS tool (BSC) is practicable and applicable to CBE, respectively. 21.2%, 18.2%, and 6.1% responded neither agree nor disagree, disagree and strongly disagree that BSC is practicable and applicable to the CBE respectively.

Table 3.21. Practicibility and applicability of BSC to CBE.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	34	12.9	12.9	12.9
Agree	110	41.7	41.7	54.5
Neutral	56	21.2	21.2	75.8
Valid Disagree	48	18.2	18.2	93.9
Strongly disagree	16	6.1	6.1	100.0
Total	264	100.0	100.0	

Source: survey data, 2016

Those who agreed with the practicability and applicability of BSC further explained that though the current BSC in CBE is not balanced between financial and non financial indicators or among the four main perspectives (as shown in the literature review), it has improved the speed and quality of transaction, minimized customer complaint and as a whole, improved the performance of the organization.

The result of the survey revealed that data tracking format have not been utilized properly in almost all the selected branches. According to the response of the respondents, 98.9% said that data tracking is not conducted in an organized and consistent manner.

Table 3.22. Is there proper and consistent data tracking system in the branch?

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	3	1.1	1.1	1.1
Valid No	261	98.9	98.9	100.0
Total	264	100.0	100.0	

Source: survey data

Interview informants also replied that all the selected branches under the district do not utilize the proper data tracking formats and also not appropriately maintained the documentation. The respondents said that new additional system (improved soft ware) is required that can replace the current manual data tracking system. They (informants) added that some branches designed their own data tracking formats without communicating the HR and EPM teams.

When asked about the feedback on employees overall progress towards goals, significant number of respondents replied negatively. 62.5% of those participated on the survey responded that their supervisor (managers) do not provide them feedback on their evaluation results and on how to improve their weakness and keep up their strength. The rest 37.5% agreed that their supervisor provide them feedback after performance evaluation though it is not sustainable. Some branch managers of selected branches also replied that they give feedback and comments especially for those who performed below expectation. But, this is being done privately, as they said.

Table 3.23. Feedback on employees over all progress toward goals?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	99	37.5	37.5	37.5
No	165	62.5	62.5	100.0
Total	264	100.0	100.0	

Source: survey data, 2016

The result gained from the interview also shows that there is a meeting weekly, monthly, quarterly and annually to assess the performance of an employee which includes a feedback from a supervisor and peers in a team. However, the feedback is not ongoing and is not conducted on the consistent manner.

As it was outlined in the literature review part, Coaching is a personal (usually one- to-one) on -the job approach to helping employees develop their skills and level of capability. Accordingly, the researcher asked respondents whether their supervisor gives them coaching support in order to help them to fill the gap in their quarterly performance review or on the day to day activities.

In line with this, greater part of the respondents replied negatively. About 72.7% of them said that their supervisor do not give them coaching on their daily work and also in their quarterly performance result. Only 27.3% agreed with the question. Respondents of the interview (especially branch managers) noted that they are providing coaching support to the employees by, for example, empowering others through delegation, providing motivational support, and setting clear direction so that they could develop their skill and improve their level of capability.

Table 3.24. My supervisor/team leader gives me coaching support in order to help me fill gap in my performance

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	72	27.3	27.3	27.3
No	192	72.7	72.7	100.0
Total	264	100.0	100.0	

Source: survey data, 2016

Currently, performance appraisal in CBE is conducted on the quarterly basis. According to EPM manual both the branch manager and individual employee have to sign on appraisal contract after agreeing on the target given to him/her. Then, after an appraisal period (quarter), appraisal score of individual employee should be rated and given to him/her. The co-signed appraisal result of an employee will then sent to district HR office for documentation purpose. Out of total respondents took part in the study, 136 (52.5%) disagreed that appraisal contracts and results are distributed to employees timely. 6.1% replied neither agree nor disagree, and 33.3% replied agree. Whereas 6.1% responded strongly agree, 8 individuals (3%) of them did not answered the question at all. This question was also forwarded to respondents of interview. Respondents were asked whether the co-signed appraisal scores (result) by manager and an employee has been sent to the district HR as per the time frame set for it. The response was that there are delays in most of the branch in conducting quarterly appraisal results. And some of the braches do send the document in only hard copy.

Table 3.25. Quarterly performance appraisal is being conducted timely

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	16	6.1	6.3	6.3
Valid Agree	88	33.3	34.4	40.6
Valid Neutral	16	6.1	6.3	46.9
Valid Disagree	136	51.5	53.1	100.0
Valid Total	256	97.0	100.0	
Missing System	8	3.0		
Total	264	100.0		

Source: survey data, 2016

Participants of the study were asked about the availability of material and human resources needed to execute the job in process. Accordingly, they provided their answer as 6 (2.3%) strongly agree, 10 (3.8%) agree, 15 (5.7%) neutral 178 (67.4%) disagree, and 55 (20.8%) replied strongly disagree. In this regard, greater part of employees (88.2%) could not get required material needed to implement the targets and goals assigned to

them. Respondents of an interview (branch managers) had also mentioned that there is “lack of must to have resource” in some branches that can hinder the execution of the job by performers. They explained that there is shortage of manpower, desk top computers, printer and copy machine, cash counting machine, tables and chairs and others that are necessary to the implementers in their daily tasks. The following table depicts employee’s level of agreement on the availability of *must to have resource* in branches.

Table 3.26. Material required to execute my job is available sufficiently

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	6	2.3	2.3	2.3
Agree	10	3.8	3.8	6.1
Neutral	15	5.7	5.7	11.7
Valid Disagree	178	67.4	67.4	79.2
strongly disagree	55	20.8	20.8	100.0
Total	264	100.0	100.0	

Source: survey data, 2016

The result of the survey also indicates that the current performance management process is not attached with any reward and/or sanction. As noted in the literature review section, one of the PMS processes is performance based reward (recognition) and/or sanction (penalty).

Table 3.27. My Performance result is attached with reward and sanction

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	4	1.5	1.5	1.5
Agree	6	2.3	2.3	3.8
Neutral	9	3.4	3.4	7.3
Valid Disagree	58	22.0	22.2	29.5
Strongly disagree	184	69.7	70.5	100.0
Total	261	98.9	100.0	
Missing System	3	1.1		
Total	264	100.0		

Source: survey data, 2016

As the above table shows, significant numbers of respondents (91.7%) disagree or strongly disagree that their performance result (information) is not attached with any recognition and or sanction. We have to bear in mind that the current PMS in the bank was rolled out bank wide before two years. According to the result, only 3.8% agree or strongly agree with the question. Out of the total respondents, 3.4% answered that they neither agree nor disagree, and 3 individuals (1.1%) did not answered the question at all. The result of an interview with EPM teams and experts also supports the above findings. One of the respondents said:

“Since the implementation of PMS is at its infant stage in CBE, there is no reward and promotion attached at individual level yet. This is also because of the fact that there is no adequate awareness about the issues of PMS processes at both lower level employees and line managers, and not all employees have equal level of understanding about the concept. In addition to this, the existing data tracking system do not allow us to attach reward and or sanction as it will be difficult to get accurate performance information of all employees.”

On the other hand, few respondents at the EPM and district HR officer replied that the bank is on the way to use appraisal results (performance information) as an input for the succession of lower level employees to managerial position. In some branches, branch managers said that they recognize top performers by, for example, writing letter of appreciation, posting the employees name and achievement on the notice board, and by giving rewards like mobile cards, t-shirt, tie and the like, in order to motivate them.

When asked the overall achievement after the implementation of PMS, interview respondents responded a number of positive results about the PMS:

- PMS has become a good instrument to create *duty conscious* employees. It helps employees to know what is expected from them on daily basis and their contribution to the branch performance.
- PMS has improved *customer service*, since one of the performance targets for front makers are focused on decreasing the number of customer complaints.

- PMS has enabled branch managers to differentiate the employees based on their performance instead of group performance and facilitated individual based feedback and coaching conducted by team leaders and branch managers.
- It created a healthy competition among employees and it motivates employees to find new ways to achieve their goals and targets.
- It minimized employees complaint on performance measures since performance data's were tracked and feed backs were given for employees and their performance was rated on objective measures.
- It enabled performers to provide standard customer service within the branch. Most of the performers, as noticed by branch managers, treat their customers by focusing on both the quality and speed. This ultimately improves customer satisfaction and minimizes complaints.
- PMS has facilitated the process of clearing backlogs, the performers who are assigned as Back Makers, branch controllers and Checkers work hard to avoid any backlog.
- It has increased the employee engagement in Branches
- The implementation of PMS has decreased the number of errors committed by employees in the branch as they work hard to achieve zero error (error free) transaction targets.
- The target set for employees and the appraisal score result has made employees to identify their strength and weakness.
- It helped branch managers to focus on strategic issues and reduces burdens on daily routine tasks.

On the other hand, an in-depth interview made with Branch managers, EPM experts and West Addis Ababa district HR office revealed the following points as the weaknesses of Performance Management System:

- Employees with Financial goals and targets are at a disadvantage as compared to those who only have operational goals and targets. The work load of the employees

with financial and operational targets is overwhelming and hard to achieve. Most of the interviewed branch managers and district HR officers mentioned that the targets for CRO's, Back Makers and Branch Controllers should be revised.

- Lack of awareness about the concept of PMS at the lower level employees and line managers.
- All Branch managers stated that there is imbalance of goals and targets between front office makers and back office makers which had made some of the employees to ask for an assignment on job roles that only have operational targets.
- Targets are not revised following the changes made on the CATS Procedure. For instance Back makers targets „Sending Card and mobile banking application to E-Payment“ which is still their target but not practical now.
- Targets set for back makers and CROs are not exhaustive. Targets like bond and ATM reconciliation, Posting employees salary and non-cash transaction posting and targets related to credit and foreign area should be considered
- During the cascading of financial targets, the existing situation (i.e. resource issue) of the branch is not assessed and analyzed as it is top to down approach; hence, it creates dissatisfaction and over stress when targets are not achieved in accordance with the expectations.
- In some branch, frequent power interruption is great challenge which create customer compliant.
- Lack of proper, modified and computerized data tracking system as data is being tracked manually. Even in few branches, data tracking does not exist. All branch managers confirmed that they have received the data tracking forms prior to the start of the quarter but due attention was not given for data tracking.
- Lack of meeting the deadline in distribution of appraisal contract and submission of appraisal result.

- As reward and sanction is not attached to performance results, the system is creating a sense of de-motivation against top performers. This means that there is no difference between top performers and poor performers.
- Another challenge was that there are areas for which targets and goals have not been set yet. As an example, some branch managers and EPM experts pointed out areas such as table masters at branch level and employees at cash custody and issue at head office level. Employees working on this work unit are at the same job grade and job description with CSO front office makers. However, they cannot achieve the financial targets given to them such as average number of transaction in the branch, mobile banking, card banking and other as they are not accessible to customers like those at front window. Respondents of interview at EPM experts said that the bank is planning to set goals and targets for such kind of work units as soon as possible.

Finally, respondents were asked if it is possible to say that CBE has successfully implemented PMS. In this regard, almost all of them replied positively. They explained that though there was big challenges and resistance on creating awareness on PMS, in cascading objectives, in attaching reward and penalty, and others, it is possible to say that the bank has fully implemented PMS as it is not simple enough to implement such a complex organizational management system and it will take years and decades to do it.

CHAPTER FOUR

DATA DISCUSSION AND INTERPRETATION

4.1. Introduction

In the previous section (chapter 3), the study has tried to analyze and present the result of the data collected through questionnaire and in-depth interview, and document review. The questionnaire was designed in line with the performance management model drawn from literature part, namely pre-requisite stage, performance planning, performance measurement using BSC, performance review and evaluation, performance execution, reward and sanction attached to performance results. In the preceding chapter, findings have been presented as they are using descriptive statistics, specifically frequency tables. In this chapter, the researcher has made an effort to discuss and interpret major findings of the study in an organized manner.

From the total number of respondents, the percentage of male respondents constitutes the largest part (62.1%) and the remaining 37.9 % were females (see table 3.2). Indeed, the number of female respondent in the West Addis Ababa district is proportional, given the total number of female employees in the bank. This implies that the ratio of female respondents to male respondent is relatively high as compared to other public organization in the country.

When we see at the age group of the respondents, majority of them (72.7%) falls within the age group of 25 to 35, which indicates that CBE is filled with more younger, energetic and productive man power that can be able to transform the bank's mission and vision in to reality. The result of the survey also states that about 90.9% and 3% of employees have first degree and Masters level of educational qualification respectively. From this, it is possible to infer that the respondents can easily understand the questions as desired by the researcher. From the organization's point of view, it can be said that the bank is realizing its mission of deploying skilled and qualified employees as a means of achieving the vision to be a world class commercial bank.

As it was outlined in the first chapter, the researcher had eliminated those employees who have less than a year work experience. Based on the data collected through the

questionnaire, 39.4% had served the bank for 3 to 5 years. As shown in table 3.5, the second largest percent (27.3%) respondents have more than five years of experience in the bank. The researcher believe that these combinations of the respondents were adequate to find accurate information about the PMS implementation in the bank since majority of them have more than three years of experience, which is more than one year from which PMS was fully executed bank wide. This also implies that the respondents can observe the “before and after” effect of PMS implementation, which can help them to clearly understand the current PMS practice in CBE and to identify the strong and weak side of the system as compared to the older evaluation system.

Finally, regarding the respondent’s current work position (see table 3.6), it was possible to infer that data was collected from all work unit/department of the selected branches. This helped the researcher to come up with full information of each work unit. Greater portion of the respondents (81.8%) are CSO. And 9.1%, 6.1% and 3% were SCSO, CSM and CRO respectively. Indeed, proportionality was maintained as the majorities of the employees in the bank are Customer service officers and are main implementers of the work. We have to bear in mind that there are an average of 2 CSM, 3 CSO, and one CRO in a branch depending on the grade level of the branch.

Generally speaking, it is the researcher’s beliefs that the study is well represented by the respondents who can respond the opinion of all categories which assures that an accurate data have been gathered from the respondents of sample size.

4.2. Discussion and interpretation of PMS in CBE West Addis Ababa District

4.2.1. Pre-requisite to PMS implementation

A) Clear definition of objectives

As pointed out in the literature review section, the initial stage in the process of performance management system is clear identification and definition of Vision, mission and strategic objective of an organization. An organization’s mission and strategic goals are a result of strategic planning, which allows an organization to clearly define its purpose or reason for existing, where it wants to be in the future, the goals it wants to

achieve, and the strategies it will use to attain these goals. The finding of this study (chapter 3, table 3.7) also shows that employees of CBE knows and could understand the vision, mission and strategic objective of the bank. This implies that the bank has clearly defined its objectives and made it known to its employees before implementing the PMS.

B) Awareness about the purpose and concept of PMS

Before fully implementing the performance management system, the concept and purpose of using it should also be outlined for employees. As specified in the literature (chapter 2), the main purpose of performance management system is improving the organizational performance by developing the capability of individuals and teams working in them. In addition, it helps an organization to get a better result, to establish a culture where individuals and teams take responsibility for continues improvement in that organization, to provide employees with an information about how they are perceived in the organization and where they stand, and to determine who gets promotion, salary increment and bonus. In different literature, PMS has six main purposes including strategic purpose (as it links organizational goal with individual and group goals), administrative purpose, communication purposes, developmental purpose, organizational maintenance purpose, and for documentation purpose.

Accordingly, respondents were asked to give their opinion if CBE had made awareness creation about the concept and purpose of PMS before implementing it. The finding of the study revealed that what about and purpose of PMS was not clearly described to the respondents (table 3.8). In addition to this, as demonstrated on table 3.10, majority of the respondents (81.8%) confirmed that they have low awareness (no clue) about the concept and objective of PMS. Only 18.2% of the respondents agreed that they understand what PMS is and its objective. We have to bear in mind that PMS was implemented bank wide before two years and also we know that majority of the respondents have been serving the bank for more than three years. On the other hand, majority of branch managers answered that they know what PMS is and its main objective of developing the performance of the bank by improving the effectiveness and performance capabilities of teams and individuals working in it. Some of them agreed that PMS is implemented only

to motivate and reward top performers. There were also respondents who replied that they are doing and conducting it periodically because they are obliged to do so.

From this, the researcher could infer that even though some employees are clear about what PMS means and its basic objectives, the bank is left with great job of making awareness creation among the staffs, especially for lower level employees. In addition, low level of awareness about the concept and objective of PMS means that they do not know what is expected of them and this possibly will lead them not to work hard towards the strategic goal of the bank. Finally, this lack of awareness by lower level employees revealed that employees do not have equal level of understanding regarding the concept and purposes of PMS.

C.Alignment of individual and team objective with CBE's strategic objective

Alignment of individual and team objective is one of the core concepts in performance management system. The central point here is that individual needs to be clear with what their organizations aspires to achieve and they need to take their fair share to the realization of organizational plan. As extensively discussed in the literature review chapter, alignment is an indispensable mechanism to put units and individuals involved in the organization in similar track that leads to achievement of organizational performance plan.

In this study, respondents were questioned if CBE's corporate objective is fully aligned with individual and team objectives. Consequently, significant number of respondents (60.6%) agreed or strongly agreed that the bank's corporate strategic objective is fully aligned and congruent with that of individual objective (see table 3.11). However, there are some who disagree that there is no clear line of sight between individual goal and organizational goal as some goals are not relevant with the corporate organizational goal. This shows that even though majority of the respondents agreed on it, but still there are some who do not believe it is aligned. Therefore, it can be concluded that CBE did not work too much in aligning its goal to that level of departmental and individual. And also this reveals that there is different level of understanding with regard to the alignment of objectives as employees at the same level replied differently.

4.2.2. Performance planning

A) Employees participation during performance planning

One of the most important things in Performance management system is that there must be a two way communication, meeting and discussion between managers and employees while setting goals and targets. Participation in performance planning process is quite important in performance management. It is through participation in planning that employees understand what their organization/department aspires to achieve. In the case of CBE, however, the reality on the ground is more or less different as majority of the sample population (69.7%) replied that employees of CBE do not participate in performance planning process (see table 3.9). Only district managers and branch managers of the bank take part during corporate plan preparation. Employees working at lower level have no authority to reject the plan forwarded to them. Therefore, they only do what is given to them. This shows that employees are de-motivated and will not be active in their day to day tasks and this in turn affect the bank not to move toward its pre set objective. The researcher believes that serious attention should be paid by the bank to make the PMS implementation more effective by including the majority in corporate plan preparation.

B) Goal and target setting

Broad portion of literature point out that setting goals and targets is the most important activity during the performance planning stage of PMS. While setting goals and targets, organizations have to use SMART (Specific, Measurable, Achievable, Relevant, and Time framed) approach. In other words, goals and targets should be attainable and realistic. In this study, on the subject of believing the objective of their work unit is realistic and attainable, even though 57 (21.6%) respondents agree on the fact that their work unit goals and targets can be attained, quit large number of respondents (78.4%) believes that it is not easy to say the targets are realistic and attainable as it seems on the appraisal form. There are two types of targets in CBE: operational targets and financial targets. Financial targets include goals such as improving the branches deposit mobilization, improving foreign currency generation, increasing volume and number of

transaction, and card banking. On the other hand, operational targets are zero error (error free transaction per quarter), customer compliant (maximum of 3 per quarter) and others.

Employees at different operational areas complain that some financial and operational targets are out of their control, and so cannot be attained. For example, goals such as error free transaction and minimizing customer compliant are out of their control as error can be done due to some external factor such as frequent power interruption, and customer can complain for this and other reason which may not be due to the problem of an employee. Respondents explained a number of targets that are unrealistic and unattainable. In addition, branch managers stated that there is *imbalance* of goals and targets between front office makers and back office makers which had made some of the employees to ask for an assignment on job roles that only have operational targets. This exposes that little attention was paid during the bank's goal and target setting. Consequently, it is seen that CBE needs to make further investigation in setting goals and targets to minimize employees compliant and for effective implementation of PMS.

As documented in EPM manual, measurement parameter for operational target is 4 for target achieved and 1 for targets not achieved. From this, it is observed that it is difficult to rate employees at the middle of the two extremes. Likewise, measurement parameter for financial target is 4 for target achieved by 150%, 3 for target achieved by 125%, 2 for target achieved by 100%, 1 for target achieved 60%-99% and 0 for target achieved below 60%. Majority of respondents suggest that though they can achieve the target assigned to them fully (100%), they are going to get 2 only, which is frustrating. This can be interpreted as that the performer in the bank are de-motivated and does not strive to the achievement of other targets assigned to them since the measurement parameters and appraisal scores are discouraging.

The finding of the study also reveals that there are areas for which goals and targets are not set yet. Again, we must bear in mind that the implementation period has counted two years, but the bank is still too let in setting goals and targets for some work units and departments. This shows that there is no fair and proper cascading system, and therefore the bank needs to review and redesign its goal setting strategy to collect some fruit out of

PMS implementation. Finally, it was observed from the interview respondents that targets are not revised following the changes made on the CATS (bank's) Procedure. For instance, target of Back office makers such as „*Sending Card and mobile banking application to E-Payment*“ was not their target before but now it is, though they are not carrying out it. This can be interpreted either as that, employees are not equally informed when there is a change in organizational goal or there is no strict follow up by line (district) managers on the implementation of new goal at lower level work unit.

C) The Balanced Score card (BSC)

The balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. In any organization, training regarding the BSC should be given to all employees so that they can understand the concept as it is PMS measurement tools in aligning strategic objectives with team and individual objectives. In this study, out of the total employees participated in the research; about 96.2% had never taken training on BSC and only 3.8% did. The finding of the study also shows that interview respondents (EPM experts and teams, district HR officers and branch managers) said that they had taken a training once and more than one time. From this, it is possible to conclude that CBE is providing a training session only for those who are at the managerial position. This reality shows that training opportunities were not accessible to employees working at the lower level in the bank.

In addition to this, according to the writing of Kaplan and Norton (1992, 96) and other literatures, the balanced score card must be „balanced“ among the four perspectives of financial, customer, internal process and learning and growth. The result of this study, however, revealed that a significant number of respondents (86.2%, table 3.15) agreed that BSC is not balanced between financial and the non financial perspectives. According to the survey conducted, financial perspective is given much attention than any other perspectives (see table 3.16). For example, in the above paragraph, it was seen that training program is not available to the lower level employees, and this shows that

Learning and growth perspective of BSC has got little or no attention at all. We have to bear in mind that the bank has been implementing the tool for more than two years. Therefore, it is the researcher belief that there is no proper implementation of the tool in CBE.

Automation step in building BSC is also not well articulated in the bank. Respondents of an interview replied that the Commercial bank of Ethiopia does not have an automation system that specifically focuses on the Corporate Balanced Scorecard though it has a plan to implement software in- house, customize an existing tool or outsourcing. This implies that data for PMS implementation is being tracked manually. We have to bear in mind that only eight years are left to be a world class commercial bank. We also know that one of the characteristics of world class commercial bank is a technologically developed and computerized banking system which requires banks to improve their entire internal working process in to soft ware based one. Hence, from this study, it could be possible to interpret the result as that CBE is left with too much work in fulfilling the gap between low level of electronic data tracking and documentation and its vision of becoming a world class commercial bank by 2025.

The finding of the study also reveals that there is no *uniformity* among branches in data tracking and documentation method as some branches create their own data tracking format without notifying district HR offices and head office. The researcher believe that it is a disaster for CBE to manage various working methods while there is the same and standardized procedure and policies which allows all the departments and units to follow it.

4.2.3. Performance review and evaluation

A) Performance appraisal

Performance appraisal includes preparation of performance contract and agreement, signing of the contract by both manager and employee and rating of the appraisal score by the supervisor or branch manager. In CBE, performance appraisal is being conducted on quarterly basis. According to the guideline of EPM regarding the PMS, hard copies of contract (performance plan) should be signed and distributed to all employees as per their

job description on the first date of the quarter, and after a quarter the branch manager gives back the appraisal score (result) to employees based on the data tracked. After both the manager and employee recognize and sign on the appraisal result, the document should immediately be sent to their respective district in both hard and soft copies. Accordingly, respondents of the questionnaire were asked whether the appraisal contract (agreement) and appraisal result (score) is distributed to them timely. As we have seen in chapter 3 (table 3.23), out of total respondents took part in the study, majority (52.5%) did not agree that appraisal contracts and results are distributed to employees timely. In the similar vein, the result of the interview also verified that there is a delay in some branches in meeting the dead line of sending the appraisal document to district HR offices and EPM team. In addition, they commented that some branches do not send the documents in soft copy. From this, the researcher has drawn two things. First, not meeting the dead line in distribution of appraisal plan and result at branch level will lead the bank not to achieve its overall strategic objective with in the pre set time frame, and this will in turn affect the efficiency of the bank negatively. Second, not sending the quarter based appraisal document in soft copy reveals that there is no culture of *on-line learning and working* system in the bank as works are being manually or in hard copies.

In addition, the result of the study has shown that few branches were not conducting data tracking while they were given the formats. From this, the researcher has drawn that due attention was not given to data tracking which will have significant impact on successful implementation of the system both at branch and organizational level.

B) Feedback and coaching

The performance review stage also involves the meeting between the employee and the manager to review their assessments. The appraisal meeting is important because it provides a formal setting in which the employee receives feedback on his or her performance. Providing feedback in an effective manner is extremely important because it leads not only to performance improvement but also to employee satisfaction with the system. Appraisal meeting is regarded as a review of the past, that is, what was done (results) and how it was done (behaviors). However, the appraisal meeting should also

include a discussion of the employee's development progress as well as plans for the future. It should also be done privately (individual-ally).

An organization destined to bring about significant improvement in performance should give due emphasis to the ongoing coaching and feedback in regular manner (Armstrong, 2009). In CBE, significant number of respondents in this study (i.e. 62.5%) replied that their supervisor do not provide them a feedback in their overall progress toward goal, and about 37.5% receive feedback from their manager periodically, but not in a consistent manner.

Respondents of interview had also mentioned that supervisors at some branches have been giving feedback to poor (under) performers privately. However, as most authors agreed regular feedback should also be given to top performers so that they will learn how well they did the task over the period and use the information to keep up their strength in the future. From this, it can be said that even though feedback provision is being viewed in some branches, the practice on the ground is not as it is well documented in EPM guideline because feedback provision should be ongoing, regular and consistent, and it should also include both top and poor performers in the branch.

As we have seen in the performance management model (in Literature review chapter), coaching is an integral part of any performance management processes that must be done at all phases. Departmental and individual employee's capacity limitation must be identified and the coaching process should be geared towards those limitations. When asked whether their supervisor/manager provide them coaching, guidance and other technical support to help them fill the gap in their periodic performance, majority (72.7%) of the respondents replied negatively.

As indicated in chapter 3 (table 3.25), only 27.3% said that their manager gives them coaching and motivational support in their daily activities. From this result, it is clear that coaching process is under stated (unsatisfactory) in the bank, which will have negative impact on building employee's capability on one hand and organizational capacity on the other.

4.2.4 Performance execution

A) Availability of resource needed to execute the job

As broadly discussed in the literature review part, performance execution phase is getting the job done in order to get the desired objective in an effective and efficient way. This, however, requires both material and human resources. As the data gathered from the questionnaire respondents depicts (presented in chapter 3), an overwhelming number of respondents disagree and or strongly disagree that there is a shortage of the material needed for job implementation. These difficulties may have an influence on quality of service and delivery time. For example, lack of printers and copy machines will make the service delivery time late, which can create customer dissatisfaction and then *customer compliant*. On the other hand, frequent power interruption and network problem will lead the employees to make an error in their daily work, and ultimately goal such as *error free transaction* cannot be achieved.

The branch managers had also listed a number of material resource and inadequate manpower as a major factor affecting effective and efficient work implementation in the branches. Some branch managers said that there are materials required to accomplish jobs, but the materials are easily broken and needs repairs and maintenance which will take a month or more to do so. We don't have to forget that CBE is one of the biggest governments owned financial institution with total asset of 303.6 billion and more than 22,000 professional employees as at June 2015. From this, the researcher can conclude that the bank could not manage and utilize its resources to the maximum point as desired as possible in the journey to achieve better organizational performance.

B) Performance reward and recognition

The very idea of performance reward and recognition is to motivate top performers in an organization. In a good performance management system, entities who have met the performance targets are recognized and rewarded to encourage others to come to their level or follow suit, and those fall short of meeting their targets are held accountable/sanctioned in different ways to discourage poor performance. Previously,

branches of CBE were given salary increment and bonuses (one month salary or above) based on their annual financial target achievement. With the introduction of BSC as a performance management tool, traditional departmental performance measurement has been replaced by individual based performance measurement. However, in the district understudy, any individual performance result has not been attached to reward and or penalty as significant number of (almost all in all) respondents in the study replied that the performance appraisal information is not linked to reward and sanction.

We bear in mind that PMS was rolled out bank wide before two years. But still now nothing new has been done with regard to individual based reward and sanction. No top performer has been rewarded or promoted as the result of his/her hard working (good performance) and no poor performer has been sanctioned or penalized due to the fact that he/she has scored below expectation. On the other hand, according to the response of interview respondents, some branch managers recognize top performers by, for example, writing letter of appreciation, posting the employee's name and achievement on the notice board, and by giving rewards like mobile cards, t-shirt and the like (by their own expense) in order to motivate them. From this finding, it is possible to generalize that PMS in CBE is useless unless the performance result of an individual employee is attached to reward and work promotion or demotion and sanction, as this ultimately will discourage top performers not to be committed to (strive for) their day to day activities, and this in the long run will impairment bank's overall performance.

To conclude, the study has find out that the whole processes of PMS in CBE, including performance planning, performance appraisal and evaluation, performance execution, provision of ongoing feedback and coaching, and performance reward and sanction were not given due attention in order to improve the performance of the bank.

CHAPTER FIVE

Summary of findings, Conclusion and Recommendation

In the preceding chapter, an attempt was made to interpret and discuss the data gathered through primary data (questionnaire and in-depth interview) and document reviewed. This section focuses on summary of major findings of the research question, conclusion and recommendation forwarded in light of the relevant literature developed by scholars, document reviewed and response of research participants.

1.1. Summary of findings

According to the data analysis presented in chapter 3, there were both positive and negative findings (achievements and challenges) concerning the implementation of PMS in Commercial Bank of Ethiopia. The following points can be taken as best practices in PMS implementation:

- The bank has clearly defined its strategic objectives and made it known to its employees before implementing the PMS, and therefore there is employee's awareness about the strategic objective of the bank.
- Alignment of bank's strategic objective to that of individual and team objective in the bank is at an encouraging level though it is not fully done.
- PMS has become a good instrument to create *duty conscious* employees. It helped employees to know what is expected from them on daily basis and their contribution to the branch performance.
- Some of the branches have a practice of recognizing best performers by writing letter of appreciation, providing mobile cards, shirt and tie, and posting best performers on notice board.
- It enabled performers to provide standard customer service within the branch. Most of the performers, as noticed by branch managers, treat their customers by focusing on both the quality and speed. This ultimately improves customer satisfaction and minimizes complaints.

- PMS has facilitated the process of clearing backlogs, the performers who are assigned as Back Makers, branch controllers and Checkers work hard to avoid any backlog.
- It has increased the employee engagement in branches as they strive for achieving daily, weekly, monthly and quarterly targets.
- The implementation of PMS has decreased the number of errors committed by employees in the branch as they work hard to achieve zero error (error free) transaction targets.
- The target set for employees and the appraisal score result has made employees to identify their strength and weakness.
- It helped branch managers to focus on strategic issues and reduces burdens on daily routine tasks.

On the other hand, there are a number of challenges encountered that are obtained from the study. The following are constraints hindering implementation of PMS in the bank and areas which needs improvement:

- ✓ Lack of participation of lower level employees in corporate performance planning
- ✓ Low level of awareness about the concept and objective of PMS by lower level employees, which had created disparity in the level of understanding on the concept between managers and lower level employees
- ✓ Unavailability of training on PMS tool, BSC for lower level employees
- ✓ There is no fair and proper cascading system in the branches
- ✓ Even though the four perspectives of BSC have to be balanced according to the literature, practically the financial perspectives take the lions share
- ✓ Automation step in respect of building BSC is not yet implemented
- ✓ Some goals and targets are neither attainable nor realistic (overambitious). There are also areas for which goals and targets have not been set yet.

- ✓ Measurement parameter for rating employees with both financial and operational targets needs serious attention and revision.
- ✓ There are delays in most of the branch in conducting quarterly performance appraisal and sending documents to district HR manager.
- ✓ Data tracking is being conducted manually, and not in a consistent manner. Due attention has not been given in tracking data in some branches.
- ✓ Disparity among branches in using the data tracking format was visible.
- ✓ Ongoing feedback and coaching has given little attention though the practice has been started in some branches
- ✓ Lack of “must to have resource” in some branches that can hinder the execution of the job by performers, including materials and office equipment such as desktop computers, cash counting machine, tables and chairs, and manpower.
- ✓ Lack of managing and utilizing material and human resources to the maximum desired level
- ✓ There is no linkage of employee’s performance with reward and or sanction.

5.2 Conclusion

Performance management is a systematic process which a manager can use to get the team members to achieve the team’s objectives and targets, improve overall team effectiveness, develop performance capabilities, review and assess team and individual performance, and reward and motivate. Performance management is a process for setting up a shared understanding of what is to be achieved at an organizational level. It involves the alignment of organizational objectives with the individual’s agreed measures, skills, competency requirements, development plans and delivery of results. The focus is on performance improvement through learning and development in order to achieve the overall business strategy of the organization. Holistically, performance management integrates a multitude of elements that contributes to effective management of the human resource.

Effective performance management requires the identification of tasks and accountabilities, definition of competencies necessary to be successful in a position, ensuring that team members have the required competencies, providing timely feedback on how effectively the team members are applying their respective competencies to accomplish their tasks and achieve the goals and rewarding and motivating effective performance. In the event that performance does not meet established requirements, the manager must understand the corrective processes and methods that can help improve employee performance.

This study has made great effort to look at the implementation status, and seek out major achievements and constraints that are hindering the PMS implementation processes in CBE West Addis Ababa district. In doing so, the researcher has collected primary data through self administered questionnaire from employees of selected branches under the district, in-depth interview from branch managers of selected branches, with district HR officers and manager, and also with EPM teams and experts. Secondary data such as reports, manuals, and guidelines have also been used to triangulate the information gathered through primary data collection instruments and techniques. The result of the study revealed that though some achievements such as clear identification of strategic objective and alignment of corporate objective with that of group and individual objectives are visible, a lot remains to be done by the bank on the areas such as employee's participation in performance planning process, equipping employees understanding about the concept and objective of PMS through providing training and applying relevant awareness creation mechanisms, provision of ongoing feedback and coaching, conducting automated data tacking in a consistent manner, and linking performance result with reward and sanction.

Participation in performance planning process is quite important in performance management. It is through participation in planning that employees understand what their organization/department aspires to achieve. In this study, it has been noted that CBE has neglected the importance of the involvement of employees in performance planning process of PMS. Based on the evidence obtained from the analysis, employees claimed that they are not participating in performance planning process. In addition, the bank did

not have created awareness about the concept and purpose of PMS before it had implemented it which has brought disparity in employee's level of understanding on it. Neither did it give training on the subject matter and on BSC for middle and lower level employees. That is why majority of employees (especially those at lower level echelon) are not aware of performance management system objectives and performance standards.

From this study, it could be seen that the PMS has failed to break away from previous practice of giving more emphasis to financial perspective of BSC as less attention is paid to other non financial perspectives. Setting overambitious goals and targets, delay in conducting performance appraisal, inappropriate performance appraisal (measurement) parameters, lack of suitable data tracking method, and lack of "must to have resources" to execute the job are also other drawbacks. In addition, a number of constraints hindering implementation of PMS in the West Addis Ababa district as drawn from the study include absence of ongoing, regular and consistent feedback and coaching, and absence of linkage of performance reward and penalty with performance result.

The researcher has come to the conclusion that unless corrective measures are taken by the bank as a whole and by the West Addis Ababa district specifically to redress the drawbacks and deficits in the PMS processes, the current practice would not lead to organizational performance improvement.

5.3. Recommendations

Based on the research findings, the study has produced the following recommendation to improve the Performance Management System and process in the bank:

1. In order to have a successful performance management system and also in order to achieve the desired goal of the organization, the bank has to exert maximum effort to ensure the participation of all employees in performance planning process.
2. To fill the gap (disparity) in the understanding level of employees on the concept and objective of PMS, and to increase awareness on the subject matter, all inclusive training opportunity should be provided by the bank.

3. In order to fully align the organizational strategic objective to that level of departmental and individual objectives, the bank needs to revisit its goal and target setting strategy, measurement parameters and the cascading process of tasks to each work unit.
4. Though the aim of the bank as the financial institution is to improve the financial profitability, to make sure the practicability and applicability of BSC as a PMS tool, the bank (to some extent) has to make “balance” among the financial, customer, internal process and learning and growth perspectives, by paying due attention to the three non financial aspects. In addition, the bank has to implement all the nine steps in building BSC for proper implementation of the tool.
5. New computerized soft ware system has to be developed and utilized by the bank so as to have sufficient information about the employee’s performance and reporting it, track data in a consistent and organized manner and document it during performance appraisal period. This will also help the bank to easily and strictly follow branches in their daily activities.
6. The district has to give due emphasis to feedback and coaching provision as these are core concepts in PMS which have direct impact on the individual, departmental and organizational performance. As the literatures suggest, if feedback and coaching is not given towards the overall progress of organizational goals, employees will not understand their strong and weak sides and do not strive for the achievement of that goals. In addition, to those branches that have already started giving feedback and coaching, the researcher recommend that it should be provided in an ongoing, regular, and consistent manner for the better result of PMS implementation.
7. Finally, to fully implement all the processes of PMS, linking performance result of an employee with reward and sanction should be considered. Best performing employee should be rewarded and corrective action should be taken on negligent and poor performer. If this is not done, committed and top performers will be discouraged (de-motivated) and do not strive for achieving their daily, monthly and

quarterly performance objectives which will have negative impact on the performance of the CBE.

Generally, it is advisable for CBE to sustain all its current strengths, and improve its limitation mentioned above to reap some fruits from PMS implementation.

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Appendix I

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF PUBLIC MANAGEMENT AND POLICY
Survey Questionnaire

Section I: Guideline

Dear respondent,

This questionnaire is designed to collect information about “An assessment of *implementation of performance management system in Commercial bank of Ethiopia, West Addis Ababa District Selected branches*”, as part of requirement for fulfilling Masters of Art degree in Public Management and Policy at Addis Ababa University. Therefore, your response will be treated as strictly confidential and will be used only for academic purpose. Since successful completion of this study depends on your genuine response, I’m kindly requesting your cooperation to respond to the entire following question. No need to write your name and if you face any ambiguity, please contact me through my cell phone no.: 0910283176.

Thank you in advance for your cooperation!

Part one: Respondent information

1. Sex A. Male B. Female
2. Age group A. 20-25
B. 25-35
C. 35-45
D. > 45
3. Your job position
A. Branch Manager
officer
B. Customer service manager
C. Senior Customer Service Officer
E. Customer relation

- D. Customer service officer
4. Educational Background
- A. Certificate B. college Diploma C. first degree D. Second degree E. PhD
5. Year of service in CBE
- A. Less than 1 year
- B. 1-2 years
- C. 2-5 years
- D. More than 5 years

Part two: Questions about Performance Management System

Instruction: Read the questions below carefully and give your answer.

1. Do you know the strategic objectives of the bank?
- A. Yes
- B. No
2. When the bank introduces performance management system (PMS) in the branch, were the process and objective of performance management system described to you clearly?
- A. Yes
- B. No
3. Do you know the concept and objective of Performance management system?
- A. Yes
- B. No

4. Employees of CBE participate in the bank's corporate performance plan preparation.

- A. Strongly agree
- B. Agree
- C. Disagree
- D. strongly Disagree.
- E. Neutral

5. The bank's corporate strategy is fully aligned with individual and team objective.

- a. Strongly agree
- b. Agree
- c. Neutral
- d. Disagree
- e. Strongly disagree

6. Does the performance management system have improved your performance so far?

- A. Yes
- B. No

7. If your answer to question number 6 is No, what is/are the reason/s? please specify.....
.....
.....

8. Have you ever taken training on Balanced Scorecard (BSC)? A. Yes B. No

9. Do you think there is a fair and proper target distribution among all staffs according to their task and responsibility?

- A. Yes
- B. No

10. If your answer to question number 9 is No, what is/are the reason/reasons for not being cascading properly?

- A. Lack of skill in cascading

- B. Paying less attention to the process of cascading by head office and district managers
- C. Cascading process is too complex and difficult to do
- D. Other/ specify please
.....
.....
.....

11. All the four BSC perspectives (Financial, internal process, customer, and learning and growth) are equally implemented in the branch.

- A. Strongly agree
- B. Agree
- C. Neutral
- D. Disagree
- E. Strongly disagree

12. If your answer to question number 12 is „disagree or strongly disagree“, which perspective has given more emphasis?

- a. Financial
- b. Customer
- c. Internal process
- d. Learning and growth

13. All the nine steps in building the BSC are well articulated and implemented.

- a. Strongly disagree
- b. Disagree

- c. Neutral
- d. Agree
- e. Strongly agree

14. If your answer is Strongly Disagree, or Disagree, which step is not well implemented?

(More than one answer is possible)

- a. Assessment
- b. Strategy development
- c. Objective development
- d. Strategic map
- e. Performance measure/indicator
- f. Initiative
- g. Automation
- i. Cascading
- j. Monitoring and Evaluation

15. Do you think the target given to staffs to evaluate their performance can actually identify the person with high potential or under performers?

- A. Yes
- B. No

16. If No to question number 15, what is/are the reason/s? Please specify.....

.....

.....

17. Do you think the targets given to you are realistic and attainable?

A. Yes

B. No

18. If you answer „No“ to question number 17, what makes the targets unrealistic and unattainable? Please indicate the targets which you think as unrealistic and unattainable.

.....
.....
.....
.....

19. Do you think the staffs have enough awareness about performance management system? If your answer is no, what can be done to change this?

.....
.....

21. All employees in the branch have equal understanding regarding the concept of PMS and BSC.

A. Strongly agree B. agree C. disagree D. strongly disagree

22. If your answer to question number 21 is „strongly disagree or disagree“, what do you think is the reason behind?

.....

23. The existing PMS tool, BSC, is practicable and applicable to CBE.

A. Strongly agree B. Agree C. Neutral D. Disagree E. strongly disagree

A. strongly agree B. agree C. disagree D. strongly disagree

32. If your answer to question number 31 is strongly disagree or disagree, what do you think is /are the reason/s?

.....

33. Resources required for job execution is available sufficiently.

A. yes

B. No

ADDIS ABABA UNIVERSITY

**DEPARTMENT OF PUBLIC ADMINISTRATION AND DEVELOPMENT
MANAGEMENT.**

Interview questions

1. Do you understand the current performance management system being implemented in the bank? If your answer is No, please explain the reason.
2. Do the staff evaluation criteria consider the entire range of their responsibility equally? Why?
3. What are the sources of information taken by the branch in the process of data tracking?
4. Is there any coaching provided by immediate supervisor for those who have poor performance? If your answer is no, what can be done to solve this?
5. What are major achievements after implementation of BSC as PMS tool?
6. What are major challenges after the implementation of BSC as a PMS tool?
7. Do you believe that the process of cascading strategic objectives and targets are rational towards the task and responsibility of the staff in the branch? Why?
8. To what extent is the performance information being used for financial reward and promotional purpose?
9. Could it be possible to say that CBE has successfully implemented PMS? If Yes, how?
10. Do you have any additional comment regarding the PMS implementation at CBE?

