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**Factors Affecting the Implementation of Performance Management System  
In Wogagen Bank S.C**

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**FACTORS AFFECTING THE IMPLEMENTATION OF  
PERFORMANCE MANAGEMENT SYSTEM IN WEGAGEN BANK**

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## **DECLARATION**

I, the undersigned, declare that, this is my original work, prepared under the guidance of Wubshet Bekalu(PHD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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## **Acronyms**

**PM** –Performance Management

**PMS** – Performance Management System

**IPMS** – Implementation of Performance Management System

**WB** – Wegagen Bank

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## ***Abstract***

*An Aberdeen Group survey 2004(as cited by Markus, 2004) of Supervisor and non-supervisor employees in service organizations found that 99% had some form of performance evaluation. Recent surveys show the high rate of change that performance management systems are not satisfactory in most businesses (Leanne 2004). This research seeks to identify the factors that have contributed towards relatively low level of implementation of performance management systems compared with the expectation of the top management. The role of employees, management style, the organization culture and structure in the implementation of performance management was identified to establish their contribution towards effective and efficient performance management systems. This research sought to contribute towards improved implementation of performance management systems in organizations and contribute towards the body of knowledge in the area of implementation of performance management. The population of this study comprised of 232 Supervisors and 1,113 non-supervisory employees of Wegagen Bank (WB). The study adopted descriptive survey design to collect data on the issues relating to the role of employees, culture, and structure and management style in the implementation of performance management system. The study concludes that employees understand what is expected of them to perform optimally. The respondents agreed that in this organization, employees are committed to their work and are keen on improving, but also employees know how their goals contribute to the organization objective, there is a clear career path for members of staff in this organization, the flow of information and communication within and across function is smooth in this organization as well as everyone in this organization knows what they are responsible for and how they contribute to the organization. The study concludes that employees understand what is expected of them to perform optimally. The study further concludes that the role of employees is considered important in the implementation of performance management in organization although not highly. The study recommends that the role of employees should be improved performance*

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

Armstrong (2006) defines performance management as a process which contributes to the effective management of individuals and teams in order to achieve high levels of organizational performance .As such, it establishes shared understanding about what is to be achieved and an approach to leading and developing people which will ensure that it is achieved.

Brown and Armstrong (1999) stress that performance management is a strategy which relates to every activity of the organization set in the context of its human resource policies, culture, style and communications systems. Performance Management encompasses all those aspects of human resources management that are designed to improve the efficiency and effectiveness of both the individual and the organization. Brown and Armstrong (1999) consider performance management to be anything that an organization does to improve its total performance. Integrated 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. In today's business environment, being competitive is not only a matter of choice to organizations but more of a matter of survival.

Performance management is among the human resource management function which is a strategic and integral process that delivers sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of an individual contributor and team (Armstrong 1994).

For an organization performance system helps it to meet its short and long term goals and objectives by helping management and employees do their jobs more efficiently.

Wegagen Bank Share Company is one of the privately owned commercial bank in Ethiopia. One of Wegagen Bank's strategic objectives is becoming a leading bank using human resource as a competitive advantage.

In order to achieve the Bank employed different human resource management interventions. Among these, implementation performance management system is the one. It has developed its own performance management system for managing and measuring performance of its employee's .Performance management is a tool to ensure that managers manage effectively as part of which they ensure that the people or teams they manage know and understand what is expected of them, have the skills and ability to deliver on these expectations. It is also about ensuring that managers themselves are aware of the impact of their own behavior on the people they manage and are encouraged to identify and exhibit positive behaviors (Daft, 1999). So, performance management is about establishing a culture in which individuals and groups take responsibility for the continuous improvement of business processes and of their own skills, behavior and contributions. It is about sharing expectations. Performance management helps both individual employees and the business as a whole. Effective performance management is a key for the motivation, retention, and development of employees, because individuals learn how they are performing and where they are going in the organization.

In this research, the researcher has attempted to discuss some of the considerations involved in implementing a performance-management system that has enable an organization specifically Wegagen Bank to achieve its strategic objectives.

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

Wagegen Bank Share Company was established as a share company on 1997 in accordance with the commercial code of Ethiopia of 1960 and the licensing supervision of banking business proclamation 84/94. The bank obtained and banking license from NBE (National Bank of Ethiopia) and registered with trade & industry and tourism bureau of the Addis Ababa city administration. Since its existence Wagegen Bank share company build itself a progressive and modern a large and an over increasing customer and correspondence base. Wagegen bank share company provide a full fledged commercial banking in all its branch outlets to customers with its networking over 225 branches all over the country.

Wagegen bank's priority in the coming years will be the strengthening its capital base maximizing deposits' of funds and maximizing return on equity and to the benefited From the latest, technology in order to keep abreast with the latest development like the of GTP (Growth Transformation Programs), GTP1, GTP2 and of course the international financial service industry.

The Vision for Wagegen bank to be the most preferred bank in Ethiopia

The Mission of Wagegen bank is To provide a wide range of quality banking services through a dynamic workforce and up to-date IT solutions to satisfy the desired of all stakeholders. Wagegen Bank's strategic objective is becoming a leading bank using human resource as a competitive advantage.

At the time of its establishment, Wagegen Bank's authorized capital was 30 million Birr. The capital of the bank has reached about 1 Billion Birr. The bank has a board of directors which is accountable to the general meeting of shareholders. The current Board consists of nine members appointed by the general meeting of shareholders. The term of the office of each member of the board is four years. But they are eligible for another term. The Board appoints the President of the Bank, who carries out the day- to- day management of the Bank. Two Vice Presidents and eight Department heads with high academic qualifications and long years of professional banking experience are appointed to assist the President.

The total numbers of employees have reached to 3,656 by the closer of the fiscal year 2016/17, including managers, supervisor and support and professional staffs.

Wegagen Bank, thoroughly assessing both the internal and external environments, has crafted a comprehensive five-year strategic plan (2015/16 – 2019/20) that could enhance its long-term success. As a means of creating sustainable economic values by way of systemic consideration of the entire systems and processes of the Bank, this strategic plan gives special emphasize for measuring of the performance of the Bank against four solid perspectives — financial, customer, internal process and organizational capacity.

Under each of these perspectives the Bank has set essential and applicable strategic objectives aligned with its missions and vision.

Thus, it is compulsory that the entire efforts and resources of the Bank shall be poured towards the directions of the attainment of these strategic objectives.

The successful attainment of the Bank's strategic objectives highly depends on the extent to which each and every work unit and individual of the Bank owns these strategic objectives, strong performance of their jobs and having strong synergy among them. To this effect, the Bank has introduced a new performance management system which is labeled as an Integrated Performance Management System (IPMS).

The system is believed to integrate the efforts/roles of every individual and shaping their behaviors in alignment of the overall corporate strategy of the Bank.

The integrated performance management system (IPMS) has been designed to serve as means of both cascading the strategic objectives of the Bank to the individual level and managing the performance of its employees.

Thus, the system enables employees to be focused on what is expected of them. The Bank's employee is evaluated balancing their job accomplishments in four different perspectives financial, customer, internal process and organizational capacity, their contributions in alignment of the attainment of the strategic objectives of the Bank under each perspective.

### **1.3. Problem Statement**

For performance management to achieve desired results there is need for an elaborate and effective employee Performance Management System.

Many corporations view their performance management systems as organizational wallpaper, meaning that they exist only in the background and are not expected to add value yet surveys of Businesses internationally clearly show that such programs, if well designed and Implemented, have positive impacts on individual productivity and financial results (Leanne, 2004). Therefore performance management systems exist in the background with little or no expectations for impact.

In a large survey conducted by WorldatWork 2005: (as cited by Markus, 2004), 58% of organizations rated their performance management systems as “C Grade or below. Despite its poor popularity and less success factor, the concept of performance at an individual and organizational level is critical to business success. Therefore performance management cannot just be ignored and organizations must put all effort to have the system work. The importance of managing Performance to align individual goals to a common vision has been recognized as being vital to an organization’s success (Markus, 2004). The necessity of an effective holistic performance measurement and appraisal system, therefore, became apparent.

As a means of creating sustainable economic values by way of systemic consideration of the entire systems and processes Wegagen bank gives special emphasize for measuring of the performance of the Bank against four solid perspectives financial, customer, internal process and organizational capacity.

Under each of these perspectives the Bank has set essential and applicable strategic objectives aligned with its missions and vision. It is compulsory that the entire efforts and resources of the Bank shall be poured towards the directions of the attainment of these strategic objectives. (Source the organization Manual)

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The system is believed to integrate the efforts/roles of every individual and shaping their behaviors in alignment of the overall corporate strategy of the Bank. The company initiated a growth strategy with performance management as a crucial focus to drive the strategy execution hence the implementation of the Integrated Performance Management System. (Source the organization Manual). The proposed target of implementing performance management system in the bank was by linking individual performance with incentives based on annually achievement, improving the performance of the bank. (Source the organization Manual)

As Wegagen bank, 2016/17 Annual Report noted by the top management, although the implementation of performance management system started two years ago, there are some challenges facing in the implantation performance management system. This is due to the rate of adoption among staff has been low compared with the expectation of the top management so that the proposed performance based on target accomplishment payment system not yet started.

The purpose of this study therefore was to identify factors affecting the implementation of performance management system at Wegagen Bank.

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

This study addresses the following basic research questions

- I. How does the role of the staffs influence in the implementation of the performance management system in Wegagen Bank?
- II. How is the implementation of performance management system affected by the existing organization culture at Wegagen Bank?
- III. How does the organization structure at Wegagen Bank affect the implementation of performance management system?
- IV. What is the effect of the management style on the implementation of performance management system at Wegagen Bank?

## **1.5. Research Objectives**

### **1.5.1. General Objective**

The General objective of the research is to study the implementation of performance management system in organizations. This is to primarily enable them to review and consider all aspects of the performance management system, in order to remodel or revise where and if necessary so as to enhance its efficiency and effectiveness.

### **1.5.2. Specific Objectives**

- I. To establish how the role of the staff influencing the implementation of performance management in Wegagen Bank.
- II. To explore how the existing culture at Wegagen Bank affect the implementation of performance management system.
- III. To establish how the organization structure at Wegagen Bank influences the implementation of performance management system.
- IV. To examine how the management style influences the implementation of performance management system at Wegagen Bank.

## **1.6. Significant of the Study**

The research sought to provide information on areas for consideration in the implementation of performance management systems for Wegagen Bank and on the potential pitfalls and benefits of performance management systems to the organization. This research is thus expected to be significant to a number of stakeholders that include:

### **1.6.1. Wegagen Bank Management**

This study outcome is anticipated to enlighten the administration at Wegagen Bank, on the ways of acting on proposed changes within the company. It is also significance to the Wegagen Bank Management, for the fact that this study elaborates the culture of Wegagen bank. This has been significant in the management of change in the company.

### **1.6.2. Employees**

The conclusion of this research is importance to staffs of Wegagen Bank, as it highlights the implications of performance management systems in an organization.

### **1.6.3. Future Researchers**

The conclusion drawn from the study has been instrumental for future study probing further the challenges of performance management systems. This also indicates that these results adds to the body of knowledge in organizational performance

## **1.7. Scope ad delimitation of the study**

The study is concerned with factors affecting the implementation of performance management system in Four Districts of Addis Ababa area branches not included the implementation at outlying branches.

Concerning methodological scope, the study used quantitative research design. Geographically, the study delimited to Wegagen bank branches that exist in Addis Ababa area i.e. Four Districts branches in Addis Ababa area because it is difficult to cover all areas and offices throughout the country. Thus, the researcher assumed that the chosen sample represent all population.

## **1.8. Definition of key terms**

**Management Style:** The overall method of leadership employed by managers and supervisors in an organization.

**Organization Culture:** The patterns of shared values and beliefs over time which produces behavioral norms that are adopted in solving problems.

**Organization Structure:** The hierarchical concept of subordination of entities that collaborate and contribute to serve one common aim.

**Performance Management:** The process which contributes to the effective management of individuals and teams in order to achieve high levels of organization performance.

**Performance Management Process:** Method of management designed to ensure the organization and all of its components are working together to optimize organization goals.

**Performance Management System (PMS):** Is a way of providing a measurement of the organization, the team and the individual through a variety of performance measurement techniques. It involves setting of performance objectives, the measurement of performance against those objectives, the identification of developmental support and a review process to develop performance and subsequent objectives.

**Role of Employees:** The part that organization personnel play to the attainment and achievement of set goals, functions and responsibility

**Source the Organization Manual**

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

The study has been organized into five chapters. **Chapter one** highlights background of the study, statement of the problem, objective of the study, significance of the study, and organization of the study. **Chapter two** provides an overview of the theoretical and empirical framework of performance management system. This chapter deals with the literature review based on distinguished opinions and views from various sources and from different researchers and authors.

**Chapter three** outline details of the research methodology employed in the study.

**Chapter four** Data presentation, analysis and interpretation by means of empirical research were addressed. **Chapter five** conclusions and relevant recommendations were presented based on the results discussed on chapter four.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1. Introduction**

This chapter provides an outline of performance management, in terms of its historical context, purpose and criticisms, as well as an initial consideration of its applicability to profit organizations. This is followed by a review of the components of an effective performance management system and an example of the successful implementation of a performance management system.

#### **2.2. Theoretical Literature**

In this section an overview of performance management is presented. Firstly, a historical perspective provides background information on the evolution of performance management from its primitive origins. Thereafter, the main purposes of performance management and the many and varied criticisms thereof are discussed. Because this study is focused on a private organization, this is followed by an introduction to the applicability of performance management in a profit environment.

#### **2.3. The Historical Context Of Perform Performance Management**

Performance management has been a necessary part of organizational life for as long as there have been organizations. Performance measurement was not necessarily linked to individual performance appraisal but rather to assessing the profitability of the organization as a whole. Performance measurement could be seen to be concentrated simply on measuring specific activities, rather than measuring them with the aim of providing support and facilitating improved performance, as is the case with performance management (Radnor & McGuire, 2004).

Performance measurement seems to have been quite a clear cut choice for businesses to implement for two reasons – firstly, it was driven by the cost and management accounting

profession with their focus on measuring financial indicators, particularly in terms of direct labour costs and direct material costs (Neely, Gregory & Platts, 1995) and secondly, because it is easier to measure performance than to manage it.

After much work from the cost and management side in refining the available measures (resulting in the introduction of activity based costing (abc) in the mid 1980s (Cooper, cited in Neely et al., 1995) and from the financial accounting side in terms of measures such as Return on Investment (ROI) and Return on Equity (ROE), it became clear that accounting indicators on their own were not necessarily clear predictors of the success or failure of an organization. By the early 1980"s the growing trend to move away from viewing capital assets as the most important

By the mid to late 1980's traditional organizational performance measurement systems had many critics (Neely, 1999). For example, it seems that a focus on purely accounting performance measure might have promoted a culture of short-termism (Neely et al., 1995) resulting in managers trying to achieve financial targets to meet their performance measurement objectives, at the expense of long-term sustainability.

It was at around this time that Kaplan & Norton (1992) developed and proposed a balanced scorecard to include the measurement of indicators other than financial ones.

They proposed four areas of importance including financial but in addition, customer, internal business processes and learning and growth. They felt that these provided a more holistic picture of an organizations performance.

Performance management as a more holistic complex measurement and management system arose out of a combination of performance appraisals (which have been noted by Furnham (2004) as early as being in both Britain and America in the eighteenth and nineteenth centuries) and of performance measurement systems.

Organizations performance management systems were becoming increasingly complex, taking factors other than financial indicators into consideration and were aimed at the long- term sustainability of the organization.

Since the mid-1990s there has been a marked increase in research of both an academic and a practical nature (Thorpe & Beasley, 2004; Neely, 1999) into the areas of organizational performance measurement and performance management of both the organization as well as the individual.

There are many reasons for the current trend to focus on performance management as a whole. As our society changes and these changes become apparent, it is clear that to be a successful organization requires some form of measurement system. To ensure that the results of these measures are managed and improved upon, performance management needs to be in everyday organizational life. In many ways it is a natural progression of our understanding from the importance of performance measurement to the philosophy of performance management.

#### **2.4. The purpose of performance management and criticism**

Performance Management encompasses all those aspects of human resources management that are designed to improve the efficiency and effectiveness of both the individual and the organization.

Brown & Armstrong (1999) consider performance management to be anything that an organization does to improve its total performance. They postulate that it has four primary purposes. Performance Management assists organizations in providing a basis for managing both organization and employee expectations.

This is achieved by enabling individuals and organizations to clarify the nature of the psychological contract (Argyris, 1960; Schein, 1970) between them. It also aims to provide a framework which facilitates the integration of corporate and individual objectives, beginning with the communication and integration of the organizations core values.

Performance management systems aim to motivate towards established clearly communicated expectations, and also, to provide a developmental process for the organization by setting guidelines that assist in establishing future needs and outcomes.

A performance management system typically involves the setting of performance objectives, the measurement of performance against these objectives, the identification of

developmental support and a review process to develop performance and subsequent objectives (Brewster et al 2003). The performance management system is a way of providing a measurement of the performance of the organization, the team and the individual through a variety of performance measurement techniques (Price, 2000).

Barlett and Ghoshat (1995) argue that there are **three major purposes of performance management**; that it is a process for **strategy implementation, a vehicle for culture change** and **it provides input to other human resources systems**, such as development and remuneration. From the above definitions, the main purpose of performance management in organizations can be seen to be to enhance the achievements both of the organization and the individual.

Performance management systems are concerned not only with what is achieved but also with how it is achieved (Price, 2000). All effective generic performance management systems have certain specific components in common, without which the system would be ineffective. These are the principle steps that must be implemented to ensure the effective functioning of the system.

According to Price (2000) in every case, effective performance management requires an organization to do three things well. These are; define the characteristics of good – as opposed to average or bad performance, Facilitate employees to perform well by removing obstacles and encourage performance through reward, praise or promotion

The main reason for having a performance management system in operation in an organization is proposed by Armstrong & Baron (cited in Price, 2000) as being that people perform best when they know what is expected of them and have helped in setting the Expectations. People are better able to perform and realize expectations that are set within their capability levels, and within a supportive organizational structure. A performance management system provides a communication channel that can motivate staff and improve their attainment of objectives through the use of reward based systems. A number of authors (Brown & Armstrong, 1999; Rademan & Vos, 2001;Furnham,,2004; hazard, 2004; IOMA, 2004) have leveled criticisms at performance management systems including, amongst other things, staff demonization, unfair application, too subjective, unclear, unethical and very time consuming.

Another noted criticism of performance management systems is that although it might be easy to devise a good performance management process on paper, the reality of that system might be vastly different, and it might actually be very difficult to implement (Brown & Armstrong, 1999; Furnham, 2004).

Performance appraisals, as part of the performance management system, can be seen to be time-wasting and having no value as the information received during the appraisals is just filed afterwards and not utilized fully (Alfred & Potter, 1995; Rademan & Vos, 2001) – that is, the theory behind the system might be relevant but in practice it does not work effectively.

Performance management systems need to be developed along ethical lines (Brown & Armstrong, 1999; Rademan & Vos, 2001). Brown & Armstrong (1999) propose an ethical framework that should be considered in the designing of a performance management system. Items such as (1) respect for the individual, (2) mutual respect, (3) transparency of decision-making and (4) procedural fairness (Brown & Armstrong, 1999) need to be adhered to.

The ethical component is very important, particularly given the reliance on the judgment of the appraiser, and the relationship between the appraisee and appraiser.

It is an issue that the appraiser comes with their own set of biases, and judgment systems, which affects the outcome of the appraisal. In fact, higher than average ratings can be attributed to factors such as preserving morale, avoiding confrontation, and the perceived image of the management of an underrated department (Price, 2000).

Alfred & Potter (1995) and Rademan & Vos (2001) similarly noted that a person's appraisal could be subjective (i.e. based on the relationship between the person interviewing and the person being interviewed).

Because performance management systems are implemented for many reasons they are often overburdened with expectations. If the reason for the performance management system is to reward individuals, then staff will expect their pay to be linked to their performance.

Despite the fact that these performance management systems are utilized almost universally (Furnham, 2004), there are many and varied criticisms of these systems.

To give a performance management system a fair chance of success there must be management buy in and support from the top management.

The system in place must be developed ethically, implemented fairly and accurately and its expectations must be effectively communicated to all concerned. It is necessary to use the information collected and to provide feedback to staff. The data from these systems can primarily be used for two main purposes – either to develop people through training or to evaluate people's performance (Fischer, 1997).

The performance management system must clearly reward behaviors and achievements that actually contribute to the improved efficiency and effectiveness of the organization, thus playing both an evaluative and developmental role. Systems must be living documents i.e. they must be adaptable, particularly in our turbulent rapidly changing environment and with the advent of the knowledge worker (Tobin, 1998)

## **2.5. Empirical Literature**

Much of the relevant literature discussed thus far is based on information gathered in, and applicable to, corporate environments. It is evident from the initial focus on performance measures from the cost and management accounting perspective, that the initial performance measurement and indeed, even performance management systems, were designed to measure success in terms of profitability. Even when it became clear that a more balanced approach was necessary, for example the balanced scorecard (Kaplan & Norton, 1992), the reason was ultimately to improve financial business results.

### **2.5.1. The Role of Employees**

Organizations have learned the importance of the role of people in an organization, and how the success of the organization depends on its people.

The shift in mindset from organization man to individualized corporation (Bartlett & Ghoshal, 1995) has resulted in a situation where an organizations people are its greatest assets. Performance management in today's knowledge economy is a vastly important system that contributes to the success of an organization in finding and retaining the right people, training and developing these

individuals to realize their and the organizations full potential, and as a system of evaluating and rewarding individuals within the organization.

In fact the old way of operating and the Organization Man model (Bartlett & Ghoshal, 1995) are not able to achieve the results required for success in our constantly changing world. In the old way, according to Bartlett & Ghoshal (1995) workers tasks were well defined, measured, and controlled. With the objective of making people as consistent, reliable, and efficient as the machines they supported.

This meant that systems and procedures in place were designed to control workers. However, employees are individuals and this type of forced system neither brought out the best in individuals nor fostered employee motivation and commitment.

Today's performance management systems are more refined and are based on the understanding that the dynamic, creative employees that an organization desires and requires today cannot be fitted in to a one-size-fits-all model.

The new paradigm recognizes that, as suggested by the science of chaos theory, we live in a complex world characterized by randomness and uncertainty and that small events often have massive and far-reaching consequences (Daft, 1999).

It is being realized that a synergistic solution can be gained from discussions with different minded people, that teamwork and collaboration increase productivity and efficiency and that doing the right things right, is critical. There is a move towards a management philosophy that encourages a sense of purpose, a partnership with people and a variety of processes that empower and enable the people to accomplish creative and competitive results.

Many organizations now feel that their people can provide that competitive advantage. The importance of recognizing that successful organizations are those that are able to keep ahead of the competition, i.e. that are continuously able to produce sustainable growth of above average returns, now often depends on the ability of the organization to attract and retain high caliber knowledge workers (Stauder, 2002).

## 2.5.2. The Organization Culture

Organizational culture has been defined as patterns of shared values and beliefs over time which produces behavioral norms that are adopted in solving problems (Owens 1987; Schein, 1990). The organization's internal environment is represented by its culture and is construed by the assumptions and beliefs of the managers and employees Aycan et al. 1999 (by Ehtesham et al).

Organizational Culture manifested in beliefs and assumptions, values, attitudes and behaviors of its members is a valuable source of firm's competitive advantage (Hall, 1993; Peteraf, 1993) since it shapes organizational procedures, unifies organizational capabilities into a cohesive whole, provides solutions to the problems faced by the organization & thereby, hindering or facilitating the organization's achievement of its goals Yilmaz, 2008 (as cited by Ehtesham et al).

Therefore organizational culture need to be considered for effective implementation of performance management system. Daft (2004), defines culture as the set of values, norms, guiding beliefs, and understandings that is shared by members of an organization

According to Kandula (2006) the key to good performance is a strong culture. He further maintains that due to difference in organizational culture, same strategies do not yield same results for two organizations in the same industry and in the same location.

A positive and strong culture can make an average individual perform and achieve brilliantly whereas a negative and weak culture may de-motivate an outstanding employee to underperform and end up with no achievement. Therefore organizational culture has an active and direct role in performance management.

Magee (2002) contends that without considering the impact of organizational culture, organizational practices such as performance management could be counterproductive because the two are interdependent and change in one will impact the other.

As noted by Maritz (1995) it is underlying cultural supports that provide a basis for excellent performance by an individual within an organization.

A high performance culture facilitates and rewards potential through factors such as a strong system of values and a credible leadership.

Traditionally organizational culture and design of human resource management practices such as performance management have been studied independently for organizational success. The results of this study indicate that they are strongly associated with each other and should be complimentary (Magee, 2002).

Moreover the western management models were also validated in the context of a developing country. Overall, there is a strong view in the literature that organizational culture lead to increased organizational performance. Organizational culture has been shown to be an important aspect of a firm, as it can, and does affect employee's behaviors, motivation and values. Organizational performance management system create career paths for employees as well as groupings of people who remain in the firm for a long enough time for a company culture to form. This outlook suggests that firms can implement such management practices that foster job security and internal career development in order to keep turnover low, and maintain those social phenomena that comprise organizational culture (values, beliefs, norms, assumptions) within the organization, and therefore forming a strong organizational culture.

### **2.5.3. The Organization Structure**

The structure of an organization has important implications for performance. An organization structure is mainly a hierarchical concept of subordination of entities that collaborate and contribute to serve one common aim. The structure of an organization will determine the modes in which it operates and performs.

Organization structure allows the expressed allocation of responsibilities for different functions and processes to different entities such as branch, department, workgroup and individuals. Performance management requires that individuals in the organization know their role and responsibilities.

The profiling of the roles and responsibilities is done by mapping the organization structure with tasks that need to be accomplished in order to achieve the goals. The same tasks and

responsibilities ought to be considered while evaluating the performance of individual employees (Markus, 2004).

Structure affects the flow of communication, the ability to collaborate across functional departments and the timeliness of responses to unforeseen events. The shape of the organization's hierarchy (flat versus tall structure).

Organization structure play key role in ensuring the organization performance is kept aligned towards the achievement of desire goals in the institutions

Organization structure articulate to all organization members the reporting structure, the way people are grouped according to their skills specialization and the role they are supposed to play within the organization.

Therefore the implementation of performance management is mainly defined by the organization structure in existence and cascaded down (Price, 2000).

The team-based systems work by focusing the individual's attention on the attainment of common goals. As employees realize that in order to achieve their common objectives they need to work together, team goals foster communication and interdependence.

This prevents one of the criticisms that is aimed at performance management systems that are solely based on individual performance, occurring. This criticism is that, on occasions individuals might aim to achieve their targets at all costs, which can hinder the overall efficiency of the organization.

By combining both team and individual objectives into the performance management system, a more rounded, holistic approach to organizational effectiveness is achieved.

Team objectives can be broken down further into individual objectives, which are laid out in a document known as a performance agreement or performance contract (Viedge,2003).

#### **2.5.4. Management Style**

A management style is an overall method of leadership used by managers and supervisors. Organizations should manage employee performance with a continuous feedback system that focuses on regular, effective communication between managers and staff and minimizes bureaucracy. Progressive organizations use their performance management systems as opportunities to model open communication, consult with staff and promote continuous improvement. To achieve continuous improvement, staff needs to be supported in learning and development programs which are aligned to the organization's strategy and goals. Performance management is a significant part of continuous improvement.

Management by Objectives (MBO) as articulated by Peter Drucker (1954) provides the management style important for high performance management. The components of an effective performance management system have been set out based on the model of performance systems considered by Bevan & Thompson and English (Price, 2000).

The implementation of the performance management system starts with the process of defining the vision and mission and translating these into actionable goals and objectives for the organization (Martiz 1995).

Once an organization's vision and mission statement have been clearly identified and communicated to the employees, the various teams (departments/programmes) within the organization can begin to work on the goals that they need to reach in order to attain the organizational objectives laid out in the mission statement.

A performance agreement is an agreement between an employee and their line supervisor clearly setting out the performance targets that need to be attained in a specific time period. It is valuable to encourage the employee to draft the initial performance agreement and to bring it to the supervisor for discussion. Furthermore, they will need to negotiate any changes with their line supervisor. In this way, the employee takes ownership of the tasks that are set out for the coming period. At the end of a predetermined period, the line supervisor and employee will meet to discuss the achievements that have been met according to the targets set on the performance agreement.

There are a variety of ways of ensuring that a performance management system runs smoothly. It is helpful to ensure that the organizations Human Resources policies and procedures underpin and support the system.

A generic performance assessment cycle could include 2 or 3 relatively short meetings at the beginning of an annual performance period, in order to set targets and sign a performance agreement. This could be followed up by monthly informal meetings between the employee and their line supervisor in which any general problems could be discussed and targets adjusted in line with unexpected activities that might have occurred.

At the end of the six-month period, a formal assessment meeting should be held. Notes from all previous discussions should be brought to the meeting and a formal assessment of the achievement of the specific targets should be entered into. This should include an end result, such as a performance bonus for good performance or performance counseling sessions for poor performers. At the end of the meeting the employee should understand and agree to the review of how well they performed over the last performance period. Areas requiring intervention such as training, coaching and development should be identified and an early discussion about the next performance agreement should be mapped (Chan & Renée,1997).

It is important in this system that employees who fail to achieve as expected are not made to feel inadequate, particularly if there are extenuating circumstances. At the end of the meeting any inadequacies should be discussed and the organization should offer support to the employee, particularly in terms of the relevant resources to do the job properly and the identification of areas for training and development. Only after the organization has fulfilled their duty to the employee can the poor performance be laid at the feet of the employee. Making an employee feel inadequate can set them up for failure. It is also important to note that training and development are not necessarily the answers to performance related problems. Whetten and Cameron (1998), use the model of performance that states  $\text{performance} = \text{ability} \times \text{motivation}$  Where  $\text{ability} = \text{aptitude} \times \text{training} \times \text{resources}$ , and  $\text{motivation} = \text{desire} \times \text{commitment}$ .

Using this as a guideline, it becomes clear that if an employee lacks either of the motivational factors, or aptitude or resources, training might not have the expected impact in terms of closing the noted performance gap. Other items such as increasing motivation, improving

communications, encouraging access to information and offering support in the form of resources also have a place in the cycle. However, what the continuous feedback process enables management to do is to note areas where skills are lacking through doing a training needs assessment, and recommending training or other strategies for improved performance where necessary (Martiz 1995).

Another important aspect of this system is its ongoing nature. A performance management system is not the type of system that can be drafted once and then utilized into the future. It is important to get feedback from both line supervisors and employees as to the efficacy of the system. Because a performance management system is a process (Price, 2000), in order to be effective it needs to contain all of the components of an effective performance management system.

Brown and Armstrong (1999) raise various issues relating to the evaluation of a performance management system. They indicate (amongst other things) that it is important that what is being managed can actually be measured in a consistent and accurate manner. So it might be useful to periodically check that measurements are accurate and useful.

Another method of evaluation of a performance management system is described by Gibb (2002) as the ABC (Antecedents, Behavior, and Consequences) model. This ABC model can also assist in the design and implementation of a performance management system.

Gibb (2002) recognizes that in order to have a successful performance management system, it is necessary to understand individuals behaviors. He (Gibb, 2002) notes that the causes of behavior manifest in actual visible behavior, which then results in consequences. When a performance gap is indicated, rather than more training being required, what might be necessary is work to modify the behavior of the employees by adjusting the consequences that occur. In reviewing and evaluating the performance management system, it is necessary to check that the correct behaviors' and their consequences are being manifested and rewarded or disciplined. One of the main reasons for undertaking continuous review and evaluation of a performance management system is to ensure that staff perceives the process to be fair (Rademan & Vos, 2001).

A common criticism of performance management systems is that they are perceived to be unfairly applied. It has been noted that individuals are most likely to trust and cooperate freely with systems whether they themselves win or lose by those systems when fair process is observed (Chan & Renée, 1997).

Chan and Renée (1997) conclude that having fair process within an organization shows respect and value for individual employees. They consider three principles of fair process – in the form of engagement (allowing communication and discussion around ideas, throughout the organization), explanation (after a decision has been made, feeding back to employees as to why that decision was taken,) and expectation clarity (clear targets and milestones that radiate from a decision).

## **1.6. Research Hypothesis**

The following research hypotheses are formulated for the purpose of the study from the conceptual frame work.

H1: the Role of Employees is positively and significantly related to the implementation of performance management system.

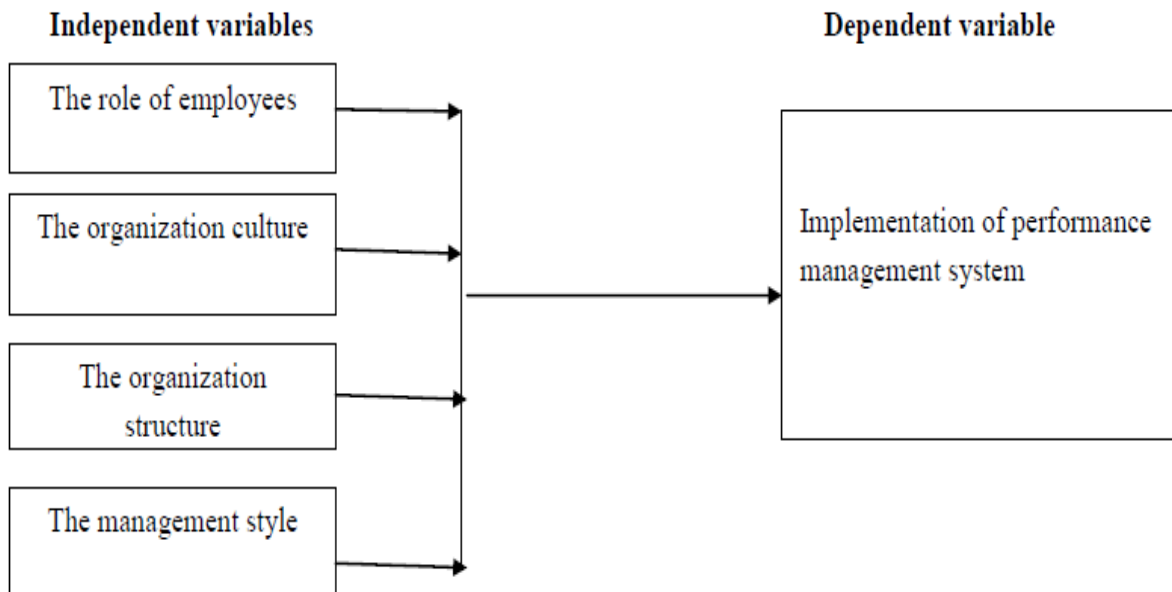
H2: Organization Culture is positively and significantly related to the implementation of performance management system

H3: Organization Structure is positively and significantly related to the implementation of performance management system

H4: Management Style is positively and significantly related to the implementation of performance management system

## 2.6. The Conceptual Framework

- ❖ This section discusses the conceptual framework for analyzing the factors that contribute towards successful implementation of performance management system.
- ❖ These factors are: the role of employees, **the organization culture, the organization structure and the management style**. They form the independent variables of the study.



**Figure: Conceptual Framework**

**Source: adopted from Brown and Armstrong (1999)**

## **CHAPTER THREE**

### **3. RESEARCH METHODOLOGY**

#### **INTRODUCTION**

This chapter presents a discussion on research methodology used to address the study objectives. The research design is as well provided; the study population, the sampling technique and procedures, also are discussed. Moreover, the chapter provides the methods used in data collection and, the procedures of analyzing data.

The objective of this study was to identify factors affecting the implementation of performance management system in Wegagen bank. The research methodology used to achieve this goal is discussed below.

#### **3.1. Research Approach**

There are two main ways of viewing the relationship between theory and research when conducting a study; deductive and inductive (Saunders, Lewis & Thornhill, 2007; Bryman & Bell, 2011). According to Gephart (2004), the deductive approach, has the goal of developing and testing hypotheses that can uncover causal relationships between variables.

This research has been conducted to identify factors that affect the implementation of performance management system at Wegagen bank by adopting deductive research approach. This choice of research approach is grounded on developing and testing the hypothesis between the independent variable and dependent variable

#### **3.2 Research Design**

Saunders et al. (2007) defines research design as the general plan of how the research questions would be answered. It is the conceptual structure within which research is conducted. It constitutes a blue print for the collection, measurement, and analysis of data. In this study descriptive survey research design has been used by using quantitative method. This is based on the assumption that quantitative method is enough to address the research problem and gives better analysis. In addition to that, quantitative research helps the researcher to collect objective and numerical data to apply statistical tools and establishes relationship and causation between

variables. Descriptive Research Design is important for the study because it helps to describe and interpret the actual events that exist now and existed in the past and that have influences on the present performance management system of Wegagen Bank.

According to Cohen, Anion & Morrison (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 overview about the subject matter.

### **3.3. Population and Sampling Design**

#### **3.3.1 Population**

Population in research is the group of elements that a scholar intends to observe, evaluate or scrutinize (Denscombe, 2007). The population of study can also be thought as subject group with mutual features that can deliver data to assist with the accomplishment of the study purpose (Mugenda & Mugenda 2003). The target study population encompasses the whole mass of people or collection of substances that the researcher pursue to generalize the conclusion of the research (Mugenda & Mugenda 2003). This study population consisted of 1,345 staffs of Wegagen Bank. These study target populations are the whole human resource working at Wegagen Bank in Four District of Addis Ababa area. The Sample of the study has been taken from Branches of four districts located in Addis Ababa. Thus, the population has been selected are non-Supervisor and Supervisor employees who are working in Addis Ababa District Branches.

#### **3.3.2 Sampling Design**

##### **3.3.2.1 Sampling Frame**

Sampling frame is the inventory from which a sample is obtained to be engaged in the research obtained (Babbie 2010). Sampling frame in research is critical as noted by Denscombe (2007), who described it as an unbiased study population list from which a researcher make a selection of the sample for study. This study gets the sample frame from the human resource department, employee list.

### **3.3.2.2 Sampling Technique**

This is the collection of a couple of items that's referred to as a sample, it is collected from a larger group to act as the source of drawing estimates and calculating indefinite occurrence, anonymous information, situation or result from a population (Cooper & Schinder, 2003). Stratified and purposive sampling technique has been used to select respondents from sample size. The strata which included in the sample size are Supervisor and nonsupervisory Employees and the number to be included in each stratum is 134 from non-Super visors and 28 from Supervisors Employees.

Purposive sampling technique helps the researcher to get information from those who are directly responsible with the implementation of performance management system.

It is the researcher belief that using this method enables to have in- depth knowledge from those who are in a position to give about the practice of performance management system at Wegagen bank.

Finally the sample individuals both from Supervisors and non-supervisors have been selected from branches purposively from departments/units.

### **3.3.2.3 Sample Size**

The study populations comprise 1,345 Wegagen Bank employees working at Four Districts of Addis Ababa area. According to Cooper & Schindler (2003), a sample size greater than 10% is adequate for research in social science. The study has been engage 12% from Supervisors position and 12% from non-supervisors employees working at Wegagen Bank in Four Districts of Addis Ababa area for data collection, 2% higher of the list endorsed percentage and translated into an efficient sample of the whole populations. Sample size for this study has been 162 employees of both Supervisors and Non-supervisors position from four District Branches of Addis Ababa area, which was considered valid and in agreement with the recommendation of Mugenda & Mugenda (2003) for social science research.

**Table 3.1: Distribution Table**

Document from Wegagen Bank HR department

Location	Job Position		Total	Sample Ratio for Supervisors	Sample Ratio for Non-Supervisors
	Supervisors	Non-Supervisors			
West District (ED)	374	78	452	12%	12%
East District(ND)	303	60	363	12%	12%
South District (SD)	258	56	314	12%	12%
North District(WD)	178	38	216	12%	12%
Total	1,113	232	1,345	134	28

Source: Document from Wegagen Bank HR department

**Table 3.2: Distribution Table**

Location	Job Position		Sample Size for Supervisors	Sample Size for Non-Supervisors	Sample Size
	Supervisors	Non-Supervisors			
West District (ED)	78	374	9	45	54
East District(ND)	60	303	7	36	43
South District (SD)	56	258	7	31	38
North District(WD)	38	178	5	22	27
Total	1,113	176	28	134	162

Source : Document from Wegagen Bank HR department

### **3.4. Data Sources and Types**

Both primary and secondary data used to obtain the data for the study. The primary source of the data were supervisors and nonsupervisory employees of the under study bank. The primary data was collected by using structured Likert scale questions. The secondary data was collected from reference books, journals, and Internet and company documents.

### **3.5. Data Collection Tools and Techniques**

A questionnaire was preferred to other instruments in the collection of the primary data due to the fact that it is a time saving instrument. For the purpose of this study, the primary data was collected through structured Likert Scale questions has been developed and distributed to the selected sample which is 162 employees of Wegagen Bank who work in Supervisor and non-supervisory position.

The structured questionnaire which consists of four main parts.

Part 1 contains information regarding the respondent's demographic features which include gender, age, educational qualification, work experience, position status and marital status.

Part 2 of the questionnaire consists of structured five point Likert scale questions related to the implementation of Performance Management system at Wegagen Bank. Part 3 consists of different statements with five points scale related with the four Variable factors affecting the implementation of performance management system such as role of employees, management style, and organization structure and organization culture. The Level assigning a score of 1 to 5 to the Likert scale of -Strongly disagree to -Strongly agree as indicated in the appendix.

### **3.6. Reliability and Validity of Instruments**

The reliability of scale shows that how free the data is from random error. One of the most commonly used scales of reliability is internal consistency. Internal consistency refers to the degree to which the items that make up the scales are all measuring the same underlying attributes (Pallant, 2005).

Cronbach's alpha is often used to measure the reliability for a set of two or more constructs where the alpha coefficient values may ranging between 0 and 1 with higher values indicating higher reliability among the indicators. Accordingly, the reliability of the questionnaire of all variables of the study has been tested by using Cronbach Alpha. As indicated in table 2, the SPSS result shows that the questionnaire's reliability is 0.955 Cronbach's Alpha and hence, it is high level of internal consistency for this study.

**Table 3:3 Reliability Statistics**

<b>Cronbach's Alpha</b>	<b>N of Items</b>
<b>.955</b>	<b>25</b>

Source: own Survey

Internal reliability for each independent variables and dependent variable of the study has been tested. According to George and Mallery (2003) if the value of Cronbach's coefficient alpha is less than 0.60 are considered poor; those in the range of 0.60 to 0.80 are considered good and acceptable. The Cronbach's alpha value for all the independent variables and dependent variable that the data collected through questionnaires is reliable and can be used for further statistical analysis.

For assessing the validity of the questionnaires, experts in the field were asked to judge the relevance and appropriateness of each measure for the target population.

### **3.8. Data Collection Procedure**

For this research, related literature regarding factor affecting the implementation of performance management system was reviewed and a standard questionnaire was adopted and designed than distributed to the sample respondents to collect primary data. Moreover the researcher distributes and collects the structured questionnaire personally to the branch offices where the place respondents are working.

### **3.9. Data Analysis**

Data is analyzed based on statistical tools i.e. descriptive and inferential statistics. Descriptive analysis; mean, frequencies and standard deviation is used to describe the profile of respondents, implementation of performance management system and affecting variable factors.

Pearson correlation test is used to determine the nature, direction and significance of the relationship between the four variable factors and implementation of performance management system. Regression analysis also conducted to determine the effect of the four independent variables (affecting factors) on implementation of performance management system.

Linear Regression analysis was also conducted to determine the effect of the four independent variables on implementation of performance management systems. A linear regression equation of the form  $Y = \alpha + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + \epsilon_i$ , where Y is the dependent variable and  $x_1, x_2, x_3$ , and  $x_4$  represent the independent variables and  $\epsilon_i$  represent the error term, was used for inference in the study.

### **3.10. Method of Analysis**

After the questionnaires filled by the respondent is collected, making sure that properly filled and then the questionnaires has been coded and enter in SPSS version 21 after that data is analyzed.

### **3.11. Ethical Consideration**

The basic principle of ethical research is to preserve and protect the human dignity and rights of all subjects involved in a research project (Leedy and Ormrod, 2013). In this regard, the researcher has assured that the respondents' information has been confidential and used only for the study purpose and has also obtained the willingness of the case organization. The researcher has used proper citation; follow systematic collection and analysis of data techniques.

## CHAPTER FOUR

### DATA ANALYSIS, INTERPRETATION, AND DISCUSSION

#### 4. Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented on the implementation of performance management system in Wegagen bank. The data was gathered exclusively from the questionnaire as the research instrument. The questionnaire was designed in line with the objectives of the study.

A total of 162 questionnaires were distributed to sample respondents, out of which 147(90.74%) of them were properly filled and returned on time .The analysis conducted and the interpretations given are discussed under the following sections.

#### 4.1. Demographic characteristics of sample population

##### 4.1.1. Sample Population by Gender

**Table 4:1 Sample Population by Gender**

Gender	Frequency	Percent
Male	123	84
Female	24	16
Total	147	100.0

Source: Own Survey

Gender is used to know the contribution of male and female in service industry like banks. This information will help management to consider the importance of gender participation in work. Among number of respondents in our survey were 147, 123 (84%) were male bank employees whereas 24 (16%) were female bank employees. This indicates that the number of male employee's participation is more as compared to female.

### 4.1.2. Sample Population by Age structure

**Table 4:2 Sample Population by Age**

Age	Frequency	Percent
20-29	70	47
30-39	66	45
40-49	7	5
>=50	4	3
Total	147	100.0

Source: Own Survey

The results of survey in table 5 show that 70 (47%) respondents of bank employees are between 20 and 29 years of age. Followed by 66 (45%) respondents of employees are between 30 and 39 and 7 (5%) respondents of employees are between 40 and 49 and only 4(3%) respondents are 50 or above. These results indicate that most of the bank employees are young and may imply the organization employment trend focuses on new and young employees.

### 4.1.3. Sample Population by Educational Qualification

**Table 4: 3 Sample Population by Educational Qualification**

	Frequency	Percent
First degree	118	80.3
Master's Degree and above	29	19.7
Total	147	100.0

Source: Own Survey

In terms of educational qualification, the sample population was classified in to four categories, ranging from diploma to highest academic qualification. Table 6 displays the different levels of educational qualification along with their corresponding percentage.

The highest share of the sample holds First Degree 118 (80.3 %) followed by Master Degree and above was 19.7. This indicates that the majority of sample respondents are First Degree holders. This has happened due to the recruitment policy of the bank i.e. the organization recruits fresh graduates from higher education institute or universities.

**4.1.4. Sample Population by Work Experience**

**Table 4: 4 Sample Populations by Work Experience**

	Frequency	Percent
1-5	77	52.4
6-10	40	27.2
11-20	30	20.4
Total	147	100.0

Source: Own Survey

As table 7 shows, the majority of the respondents 77 (52.4%) are serving the organization for 1 up to 5 years, 40 (27 %) worked for 6-10 years, and 30 (20.4%) worked for 11-20 years. This is due to majority of the employees are young i.e. between 20-29 years of age have experience between 1 and 5.

#### 4.1.5. Sample Population by Position Status

**Table 4:5 Sample Populations by Position Status**

	Frequency	Percent
Supervisor	49	33.3
Non-Supervisor	98	66.7
Total	147	100.0

Source: Own Survey

As can be seen from Table 8, 49 (33.3 %) of the sample is Supervisor staff and 98 (66.7 %) is non-Supervisor or professional staff. The reason why the researcher wanted to see the sample proportion by position status is that whether employees role on implementation of performance management system may vary or not by position status.

#### 4.1.6. Sample Population by Marital Status

**Table 4:6 Sample Populations by Marital Status**

	Frequency	Percent
Single	85	57.8
Married	62	42.2
Total	147	100.0

Source: Own Survey

The results show that 85 (57.8%) employees were single and 62 (42.2%) married. These figures indicate that most employees are single. From the results it is shown that they may look for other jobs rather than prefer to retain within the organization.

## 4.2. Analysis of Implementation of performance management system factors

**Table 4:7 Overall contributions of the four variables on the implementation of performance management system Represented by the means and standard deviation among the variables.**

Variables	N	Mean	Std. Deviation
Role of Employees	147	3.80	.810
Organization Culture	147	3.62	.909
Organization Structure	147	3.51	1.003
Management Stale	147	3.65	.886
Implementation of PMS	147	3.68	.767

Source: Own Survey

The means and standard deviations among the variables of the study are shown in the descriptive statistics displayed in table 4:7.

### **Descriptive Statistics on the role of employees**

Descriptively, the mean or the average response of the respondents about the degree of agreement they had about the role of employees was perceived to have a mean of 3.80 (SD=.810) on a 5-point scale. This shows that respondents generally agreed that the role of employees is considered important in the organization due to the realization that people are the most valuable asset for the organization.

### **Descriptive Statistics on organization culture**

Descriptively, the mean or the average response of the respondents about the degree of agreement they had about organization culture was perceived to have a mean of 3.62 (SD=.909) on a 5-point scale. This shows that respondents generally agreed that in this organization there is a positive organization culture manifested by beliefs and assumptions, values attitudes and behaviors of its members which facilitates the achievement of the organization goals.

### **Descriptive Statistics on organization structure**

Descriptively, the mean or the average response of the respondents about the degree of agreement they had about organization structure was perceived to have a mean of 3.51 (SD= 1.003) on a 5-point scale. This shows that respondents generally have relatively above average feeling on the organization hierarchical allocation of responsibilities for different functions and processes which aligned towards the achievement of desire goals in the organization.

### **Descriptive Statistics on management style**

The study sought to find out the respondents degree of agreement level concerning of management style shown by the mean or the average response of 3.65 (SD=.886) on a 5-point scale. This shows that respondents generally have above average aspects related to overall method of leadership used by managers and supervisors concerning with managing employees performance with continues feedback system that focuses on regular, effective communication between managers and staff and minimizes bureaucracy..

### **Descriptive Statistics on implementation of performance management system**

Descriptively, the mean or the average response of the respondents about the degree of agreement they had about the implementation of performance management was perceived to have a mean of 3.68 (SD=.767) on a 5-point scale. This indicates that the level of implementation of performance management system in the bank is above average of 3.68 on a 5-point Likert scale.

### **The Relationship between the Four Variable Factors and Implementation of Performance Management**

Correlation analysis is primarily concerned with finding out whether a significant relationship exists between two variables (Field, 2005). It is used to describe the strength and direction of the linear relationship between two variables. Pearson correlation (commonly called Pearson Correlation Coefficient) is used for the study to investigate a relationship between the four variable factors and implementation. The value of Pearson product-moment correlation coefficient ( $r$ ) normally varies between -1 to +1. The sign indicates whether there is a positive correlation (as one variable increase, other also increase) or negative correlation (as one variable increase, other decrease). According to Field (2005), a coefficient( $r$ ) of +1 indicates a perfect positive relationship while -1 indicates a negative relationship. Breaking down the strength of the

relationship, values of  $r=\pm 0.1$  to  $\pm .29$  represent a weak relationship while  $r=\pm 0.3$  to  $\pm .49$  represent a medium relationship while  $r=\pm 0.5$  to  $\pm 1.0$  indicate a strong relationship.

**Table 4:13 Correlation between Implementation of Performance management system and the four variable Factors**

		Performance management	Role of employees	Organization culture	Organization structure	Management style
Performance management	Pearson Correlation	1				
	Sig. (2-tailed)					
Role of employees	Pearson Correlation	.522**	1			
	Sig. (2-tailed)	0.000				
Organization culture	Pearson Correlation	.747**	.489**	1		
	Sig. (2-tailed)	0.000	0.000			
Organization structure	Pearson Correlation	.792**	.492**	.726**	1	
	Sig. (2-tailed)	0.000	0.000	0.000		
Management style	Pearson Correlation	.769**	.290**	.720**	.771**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	
	N	147	147	147	147	147

Source: Own Survey

For most of the relationships, the inter correlations among variables were found to be in the expected direction. Significant correlations were observed between Role of Employees and Implementation of Performance Management System ( $r = .522, p < .01$ ). Similarly, the correlation between Organization Culture and Implementation of Performance Management System was ( $r = .747, p < .01$ ) and Organization Structure and Implementation of Performance Management System ( $r = .792, p < .01$ ), followed by Management Style and Implementation of Performance Management System ( $r = .769, p < .01$ ). Correlation analysis among the Four Variable factors shows that Management Style correlated significantly and positively with Role of Employees ( $r = .290, p < .01$ ), Organization Culture ( $r = .720; p < .01$ ), and Organization structure ( $r = .771; p < .01$ ). Organization Structure correlated significantly and positively with role of employees ( $r = .492, p < .01$ ) and Organization Culture ( $r = .726, p < .01$ ). Organization Culture correlated significantly and positively with the role of employees ( $r = .489, p < .01$ ).

### **4.3. The effect of the Four Variable Factors on Implementation of Performance Management**

Multiple regression analysis is used to explore the relationship between one dependent variable and a number of independent variables or predictors (Pallant, 2005). Multiple regression also tells that how much of the variance in dependent variable can be explained by independent variables. It also determines the statistical significance of the results, both in terms of model and the individual independent variables (Pallant, 2005).

In this study role of employee, organization culture, organization structure, management style are treated as independent variables and implementation of performance management system as the dependent variable. Multiple regression analysis was employed to test the impact of the four variables factors on the implementation of performance management system.

### **4.4. Regression Analysis**

This section presents a discussion of the results of inferential statistics. The researcher conducted a multiple regression analysis so as to investigate into the limitations facing implementation of performance management systems at organizations. The researcher applied the statistical package SPSS to code, enter and compute the measurements of the multiple regressions for the study. Findings are presented in the following tables;

**Table 4:14 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.861 <sup>a</sup>	.741	.734	.396

a. Predictors: (Constant), Role Of Employees, Organization Culture, Organization Structure, management Style

b. Dependent Variable: Implementation of Performance Management System

Source: Own survey

The four independent variables that were studied, explain 74.1% of variance in implementation of performance management systems as represented by the R<sup>2</sup>. This therefore means that other factors not studied in this research contribute 25.9% of variance in the dependent variable. Therefore, further research should be conducted to investigate into the determinants of effective implementation of performance management systems.

The strength of relationship between one dependent variable and one or more independent variables is determined by coefficient of determination  $r^2$  (also called regression coefficient). The regression coefficient varies between -1 and +1. -1 represents complete negative relationship while +1 represents perfect relationship (Saunders et al., 2012). As shown in table 18, the value of Adjusted R<sup>2</sup> is .734 which implies that the predictor variable (the four variables) has explained about 73.4% of variance in the dependent variable of implementation of performance management system.

**Table 4:15 ANOVAa table for regression model**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	63.706	4	15.927	101.569	.000 <sup>b</sup>
Residual	22.266	142	.157		
Total	85.973	146			

a. Dependent Variable: Implementation Of performance management system

b. Predictors: (Constant), role of employee, organization culture, organization structure, management style

Source: Own survey

The F critical at 5% level of significance was 1.44 as extracted from the F statistical tables. Since F calculated is greater than the F critical (value = 101.569), this shows that the overall model was significant. The significance is less than 0.05, thus indicating that the predictor variables, (Role of employees, Organization culture, Organization structure and Management styles) explain the variation in the dependent variable which is implementation of performance management systems. Conversely, if the significance value of F was larger than 0.05 then the independent Variables would not explain the variation in the dependent variable.

The ANOVA table presents results from the test of the null hypothesis that R-square is zero. An R-square of zero indicates no linear relationship between the predictor and dependent variable. The ANOVA table 19 indicates that the regression model is statistically significant F is 101.569, with an observed significance level of less than 0.001.

**Table 4:16 Coefficientsa table of regression model**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.610	0.182		3.361	.001
Role of Employees	0.173	0.049	0.183	3.503	.001
Organization Culture	0.163	0.059	0.193	2.763	.006
Organization Structure	0.222	0.059	0.290	3.759	.000
Management Style	0.286	0.060	0.353	4.732	.000

a. Dependent Variable: Implementation of Performance Management System

Source: Own survey

From the regression findings, the substitution of the equation ( $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4$ ) becomes:  $Y = 0.610 + 0.173X_1 + 0.163X_2 + 0.222X_3 + 0.286X_4$ .

where Y is the dependent variable (implementation of performance management systems), X1 is the role of employees variable, X2 is the organization culture variable, X3 is organization structure variable and X4 the management styles variable.

According to the equation, taking all factors (role of employees, organization culture, organization structure, management styles) constant at zero, implementation of performance management systems will be 0.610. The data findings also show that a unit increase in role of employees will lead to a 0.173 increase in implementation of performance management systems holding other factors constant; a unit increase in organization culture will lead to a 0.163 increase in implementation of performance management systems holding other factors constant; a unit increase in organization structure will lead to a 0.222 increase in implementation of performance management systems holding other factors constant while a unit increase in management styles will lead to a 0.286 increase in implementation of performance management systems holding other factors constant.

At 5% level of significance and 95% level of confidence, role of employees had a 0.001 level of significance; organization culture had a 0.006, organization structure had a 0.000 level of significance; while management styles had a 0.000 level of significance implying that the most significant factors are management style and organization structure.

An examination of the standardized co-efficient revealed that the four variable factors statistically unique contribution in predicting the implementation of performance management system in that the role of employees ( $\beta = .183$ ;  $p < 0.000$ ), Organization Culture ( $\beta = .193$ ;  $p < 0.000$ ), organization structure ( $\beta = .259$ ;  $p < 0.000$ ) and management style, ( $\beta = .193$ ;  $p < 0.000$ ), indicating that these four variable factors have greatest significant contribution to the implementation of performance management system.

#### **4.5. Testing the Hypothesis**

ANOVA analysis is normally used to compare the mean scores of more than two groups or variables. It is also called analysis of variance because it compares the variance between groups (Pallant, 2005). The F ratio or F statistic represents the variance. If the F ratio is large and

probability is less than 0.05 then it is termed statistically significant (Saunders et al., 2012).

A significant F test indicates that we can reject the null hypothesis and accept alternate hypothesis, stating that the population means are equal (Pallant, 2005). Thus the researcher is used ANOVA to check the acceptance or rejection of the formulated hypotheses of the study.

**The first hypothesis** of the study infers that there is significant relationship between the role of employees and implementation of performance management system.

Hypothesis 1: There is a significant relationship between the role of employees and implementation of performance management system.

Hypothesis 0: There is no significant relationship between role of employees and implementation of performance management system.

**Table 4:17 ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	23.442	1	23.442	54.358	.000 <sup>b</sup>
Residual	62.531	142	.431		
Total	85.973	146			

a. Dependent Variable: Implementation of Performance Management System

b. Predictors: (Constant), Role Of Employees

Source: Own survey

From the above ANOVA table, it can be seen that F ratio is 54.358 and the significance level is less than .05. The decision rule is that we reject the null hypothesis (H0) if the significance level is less than 0.05 or 5% and accept the alternate hypothesis (H1).

The large value of F ratio and less value of significance level [F = 54.358, p<.05] indicates that the researcher reject the null hypothesis and accept alternate hypothesis i.e. There is a significant relationship between the role of employee and implementation of performance management system.

**The second hypothesis** of the study infers that there is significant relationship between organization culture and implementation of performance management system.

Hypothesis 2: There is a significant relationship between organization culture and implementation of performance management system.

Hypothesis 0: There is no significant relationship between organization culture and implementation of performance management system.

**Table 4:18 ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	47.987	1	47.987	183.181	.000 <sup>b</sup>
Residual	37.985	145	.262		
Total	85.972	146			

a. Dependent Variable: Implementation Of Performance Management System

b. Predictors: (Constant), Organization Culture

Source: Own survey

From the above ANOVA table, it can be seen that F ratio is 183.181 and the significance level is less than .05. The decision rule is that we reject the null hypothesis (H0) if the significance level is less than 0.05 or 5% and accept the alternate hypothesis (H2). The large value of F ratio and less value of significance level [F = 183.181, p<.05] indicates that the researcher reject the null hypothesis and accept alternate hypothesis i.e. There is a significant relationship between Organization Culture and Implementation of Performance management System.

**The third hypothesis** of the study infers that there is significant relationship between organization structure and implementation of performance management system.

Hypothesis 3: There is a significant relationship between organization structure and implementation of performance management system.

Hypothesis 0: There is no significant relationship between organization structure and implementation of performance management system.

**Table 4: 19 ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	53.957	1	53.957	244.372	.000 <sup>b</sup>
Residual	32.016	145	.221		
Total	85.973	146			

a. Dependent Variable: Implementation of Performance Management System

b. Predictors: (Constant), Organization Structure

Source: Own survey

From the above ANOVA table, it can be seen that F ratio is 244.372 and the significance level is less than .05. The decision rule is that we reject the null hypothesis (H<sub>0</sub>) if the significance level is less than 0.05 or 5% and accept the alternate hypothesis (H<sub>3</sub>). The large value of F ratio and less value of significance level [F = 244.372, p<.05] indicates that the researcher reject the null hypothesis and accept alternate hypothesis i.e. There is a significant relationship between Organization Structure and Implementation of Performance management System.

**The fourth hypothesis** of the study infers that there is significant relationship between management style and implementation of performance management system.

Hypothesis 4: There is a significant relationship between management style and implementation of performance management system.

Hypothesis 0: There is no significant relationship between management style and implementation performance management system.

**Table 4: 20 ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	50.827	1	50.827	209.695	.000 <sup>b</sup>
Residual	35.146	145	.242		
Total	85.873	146			

a. Dependent Variable: Implementation Of Performance Management System

b. Predictors: (Constant), Management Style

Source: Own survey

From the above ANOVA table, it can be seen that F ratio is 209.695 and the significance level is less than .05. The decision rule is that we reject the null hypothesis (H<sub>0</sub>) if the significance level is less than 0.05 or 5% and accept the alternate hypothesis (H<sub>4</sub>).

The large value of F ratio and less value of significance level [F = 209.695, p<.05] indicates that the researcher reject the null hypothesis and accept alternate hypothesis i.e. There is a significant relationship between Management Style and Implementation of Performance Management System.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1. Introduction**

From the study, the following summary, conclusions and recommendations were made based on the objectives of the study.

#### **5.2. Summary of the Findings**

##### **Roles of employees**

The study found that in this organization employees know what is going on and are kept abreast of changes that take place, the respondents agreed that employees feel appreciated for good work, the respondents agreed that In this organization employees understand what is expected of them to perform optimally, the respondents agreed that in this organization employees are commitment to their work and are keen on improving, but also employees fairly know how their goals contribute to the organization objective. The respondents indicated that the role of employees is considered important in the implementation of performance management in organization.

##### **Organization culture**

The study found that people know how to show appreciation for good work. The bank has a set of shared values and beliefs that are known to all employees, Most people in this organization care about what is expected of them in terms of their job, duties and responsibility, There are great similarity of personal beliefs and feeling between members of this organization, The way things are done in this organization largely benefit the whole organization and not individuals.

## **Organization Structure**

The study found that the respondents agreed that activities in this organization are generally clear-cut and well organized. Employees are clear of their roles, responsibilities and reporting Lines. The respondents agreed that there is a clear career path for members of staff in this organization; the flow of information and communication within and across function is smooth in the organization and the respondents were neutral to the fact that everyone in this organization knows what they are responsible for and how they contribute to the organization.

## **Management Style**

The study found that the managers and supervisors conduct performance review well, the respondents agreed that in these organization supervisors and managers participate and provide guidance in the development of individual work plans at the beginning of performance cycle. The respondents agreed that in this organization supervisors and managers develop team objectives, in this organization managers and supervisors operate an open door open mind policy, but also the in this organization there is fairly continuous dialogue and feedback between supervisors and employees in addressing performance issues.

## **5.3. Conclusions**

The study concludes that employees understand what is expected of them to perform optimally, the respondents agreed that in this organization; employees are committed to their work and are keen on improving, but also at employees fairly know how their goals contribute to the organization objective. The study further concludes that the role of employees is considered important in the implementation of performance management in the organization.

The study further concludes that Managers and supervisors conduct performance review well, the respondents agreed that supervisors and managers participate and provides guidance in the development of individual work plans at the beginning of performance cycle, supervisors and managers develop team objectives, managers and supervisors operate an open door open mind policy, but also that in this organization continuous dialogue and feedback is air between

supervisors and employees in addressing performance issues.

The study concludes that that people know how to show appreciation for good work. The bank has a set of shared values and beliefs that are known to all employees, Most people in this organization care about what is expected of them in terms of their job, duties and responsibility, There are great similarity of personal beliefs and feeling between members of this organization, The way things are done in this organization fairly benefit the whole organization and not individuals.

Finally the study concludes that, the activities in this organization are clear-cut and well organized. In this organization employees are clear of their roles, responsibilities and reporting lines. The respondents agreed that there is a clear career path for members of staff in this organization, the flow of information and communication within and across function is smooth at WB and that everyone in this organization knows what they are responsible for and how they contribute to the organization.

#### **5.4. Recommendations**

The study recommends that employees should understand what is expected of them to perform optimally. The respondents agreed that in this organization, employees are committed to their work and are keen on improving, but also that at WB employees fairly know how their goals contribute to the organization objective. The study recommends that the employees become knowledgeable on how their goals contribute to the bigger objective of the organization. The understanding of the vision, mission and values of the organization should permeate all cadres in the organization. The study further recommends that people should improve on how to show appreciation for good work. The bank has a set of shared values and beliefs that are fairly known to most employees. As this is a critical factor in the implementation of performance management, the aspect need to be retained and maintained at high level. Most people in this organization care about what is expected of them in terms of their job, duties and responsibility, and that there are great similarity of personal beliefs and feeling between members of this organization. This aspect need to be supported by having the employees know how their goals contribute to the larger picture and direction provided by the management.

Finally the study recommends that the activities in organization should clear-cut and well organized and also provide a direct career path especially for the lower cadres. The flow of information and communication within and across function is smooth in the organization and that everyone in this organization knows what they are responsible for and how they contribute to the organization. It is therefore recommended ways of sustaining or even improving the status quo be put in place.

### **5.5. Suggestion of Future Research**

The study suggests that future studies can be done on other institutions so as to establish the implementation of performance management system. It would also be suggested that other aspects that affect the implementation of performance management besides the role of employees, the organization culture, and organization structure and management style be researched with the aim of expanding the understanding of implementation of performance in organizations especially in Private Organization.

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**ADDIS ABABA UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS SCHOOL OF COMMERCE**  
**MA IN HUMAN RESOURCE MANAGEMENT**  
**ADDIS ABABA**

**Appendix 1 – Questionnaire**

**Dear Respondents**

This survey question is prepared for the purpose of assessing factors that affect the implementation of performance management system in Wegagen Bank. Therefore, I kindly request you to fill this questionnaire genuinely and the data will be used only for the intended professional purpose. Please follow the instructions and answer all questions. Your answers will be treated strictly confidential. You need not to reveal your identity. Please call Shewarega Berhe +251 911560352 for any enquiry you need. I would like to thank you in advance for your honest cooperation.

**Part One: - Demographic and other information**

Please put tick mark (√) in the box with most closely represents your personal situation. Please mark one item only per question

1. Gender                                      Male                                       Female
2. Age                                      20- 29                                       30 -39                                       40 -49                                       50 and above
3. Educational Qualification  
Diploma                                       First Degree                                       Master's Degree and above  others
4. Work Experience in WB in years 1-5                                       6-10                                       11-20                                       Above 21
5. Position Status                                      Supervisor                                       Non Supervisor
6. Marital Status                                      Single                                       Married                                       Separated                                       Divorced   
Widow

**Part Two: Questions related to the implementation of performance management system in Wegagen Bank**

Please put tick mark (√) in the box corresponding to the option that identifies your level of overall satisfaction (agreement)

(1= strongly disagree 2= disagree 3= neutral 4= agree 5= strongly agree)

**7. Aspects that relate to the implementation of performance management system at Wegagen Bank**

	<b>Aspects that relate to the implementation of performance management system at Wegagen Bank</b>	1	2	3	4	5
1	The implementation of performance management system in this organization enhancing employees and overall organization efficiency and effectiveness					
2	In this organization employees set clear goals that are discussed with their supervisors at the beginning of every performance cycle					
3	In this organization the system of rewards and recognition are clearly linked with the performance annual appraisals					
4	The performance management system at this Bank provide for ongoing dialogue and feedback between employees and their supervisors					
5	In this organization employees set personal development goals and are guided by their supervisors where necessary at the beginning of performance cycle					
6	In this organization there is well-laid down procedure for regular review of employees performance					

Source: Adopted from Brow and Armstrong (2009)

**Part Three: -Questions related to performance management system implementation factors**

Please put tick mark (√) in the box corresponding to the option that identifies your level of overall satisfaction (agreement)

(1= strongly disagree 2= disagree 3= neutral 4= agree 5= strongly agree)

**8. Aspects that relate to the of role of employees on the implementation of performance management**

	<b>Aspects that relate to the of role of employees on the implementation of performance management</b>	1	2	3	4	5
1	In this organization the role of employees considered important					
2	In this organization employees understand what is expected of them to perform optimally					
3	In this organization employees know what is going on and are kept abreast of changes that take place					
4	In this organization, employees are commitment to their work and are keen on improving					
5	In this organization employees know how their goals contribute to the organization objective					
6	In this organization employees feel appreciated for good work					

Source: Adopted from Bartlett and Ghoshal ( 1995)

**9. Aspects of organization culture and the relationship with implementation of performance management system**

	<b>Aspects of organization culture and the relationship with implementation of performance management system</b>	1	2	3	4	5
1	The bank's organization culture foster job security and internal career development					
2	The bank has a set of shared values and beliefs that are known to all employees					
3	The way things are done in this organization benefit the whole organization and not individuals					
4	In this organization people know how to show appreciation for good work					
5	There are great similarity of personal beliefs and feeling between members of this organization					
6	Most people in this organization care about what is expected of them in terms of their job, duties and responsibility					

Source: Adopted from Daft (2004)

**10 Aspects of organization structure and the relationship with implementation of performance management system**

	<b>Aspects of organization structure and the relationship with implementation of performance management system</b>	1	2	3	4	5
1	The bank's organization structure facilitates the flow of information across functional department promptly					
2	In this organization employees are clear of their roles, responsibilities and reporting lines					
3	The flow of information and communication within and across function is smooth in this organization					
4	There is a clear career path for members of staff in this organization					
5	The activities in this organization are clear-cut and well organized					
6	Everyone in this organization knows what they are responsible for and how they contribute to the organization					

Source: Adopted From Price(2000)

**11. Aspects of management style and the relationship with implementation of performance management system**

	<b>Aspects of management style and the relationship with implementation of performance management system</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Management style employed by managers and supervisor support for continuous improvement					
2	In this organization managers and supervisors operate an open door open mind policy					
3	Managers and supervisors conduct performance review well					
4	In this organization supervisors and managers develop team objectives					
5	In this organization there is continuous dialogue and feedback between supervisors and employees in addressing performance issues					
6	In this organization supervisors and managers participate and provide guidance in the development of individual work plans at the beginning of performance cycle					

Source: Adopted from Peter Drucker (1954)