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ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT GRADUATE STUDIES

A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS, DEPARTMENT OF MANAGEMENT

IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR MASTER OF

SCIENCE IN MANAGEMENT

THE EFFECT OF PERFORMANCE MANAGEMENT PRACTICES ON ORGANIZATIONAL PERFORMANCE,

THE CASE OF ADDIS ABABA CITY ADMINISTRATION HEALTH BUREAU

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ADDIS ABABA, ETHIOPIA

DECLARATION

Here by Meseret Abera with identification number GSR/5523/10, declare that this research entitled, “*The effect of Performance Management practice on Organizational Performance in the case of Addis Ababa City administration Health bureau* ” is my original work. I have carried out the present study independently with the guidance and support of the research advisor, Asres Abite (PhD). Any other contributors or sources used for the study have been appropriately acknowledged. Moreover, this study has not been submitted for the award of any Degree or Diploma Program in this or any other Institution.

Meseret Abera:



Signature

08Jul -2021

Date

CERTIFICATION

This is to certify that Meseret Abera has carried out his research work entitled “*The effect of Performance Management practice on Organizational Performance in the case of Addis Ababa City administration Health bureau* ” for the partial fulfillment of Masters of science in Management Addis Ababa University, Department of Management.

This study is original and is not submitted for any degree in this University or any other universities and is suitable for submission of Masters of Science in Management.

Confirmation by Advisor:

Asres Abitie (PhD)

Signature

Date

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Meseret Abera

ABSTRACT

The main purpose of the study was to examine the effect of performance management system practice on organizational performance in the Addis Ababa city administration Health bureau the study deployed both primary and secondary data. A self-administered structured questionnaire and open ended interview was used as instrument of data collection. All employees of the bureau were considered as the population of study and 134 employees were sampled using systematic random sampling technique and 13 employees for interviews used purposive sampling technique. Descriptive and inferential analysis were deployed and correlation coefficient was used to investigate the relationship between all variables of the study while regression analysis was used to see the effect of each explanatory variable on the dependent variable. The result revealed that the performance management practice of the case organization was not adequate to support organizational performance as required and consequently the organizational performance was also average. The result confirmed that there was a significant positive relationship between Independent variables and dependent variable. The study also showed that performance planning, performance appraisal; performance feedback and performance training have significant positive effect on organizational performance. The study recommends that the organization should to improve the implementation and practice based on the overall findings for possible action which will help further improvement based on the researcher view of these four phases of the PMS.

Key Words: *Performance Management system, performance planning, performance appraisal, performance feedback, performance training, performance management Practice and organizational performance.*

LIST OF ACRONYMS

AACAHB -	Addis Ababa City Administration Health Bureau
PM-	Performance Management
PMS-	performance management system
PMP-	performance management practice
OP-	Organizational Performance
HR -	Human Resource
SPSS-	Statistical Package for Social Science:
OLS-	Ordinary least square
ANOVA-	Analysis of Variance
SD-	Standard Deviation

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the study

In the current stiffly competitive business world organizations always strive to remain competent or win the competition through continuous improvement in their productivity and efficiency. Therefore, in order to survive in such business environment organizations and bring about the required competitive advantage, organizations need to enhance their overall organizational performance (Kerich, 2018). However, the realization of the intended organizational performance demands the deployment of various resources as input for the production of goods and services with less cost and higher productivity. Competitive business firms across the world so far had used various innovative and technological mechanisms to survive or win the competition if possible. Nevertheless, irrespective of the nature of organizations, Performance Management System through influencing the effort of their employees believed to help organization at least survive in the current stiff competitive environment win the competition at most (Rath, 2014).

In the contemporary world among other things human capital become one of the crucial input in enhancing firms' productivity. Organizations can perform well or poorly due to external forces however, the majority of economists and commentators agree that the biggest influence on organizational performance is the quality of the labor force at all levels of the business (Abdurazek and Tigist, 2019). Thus, in order to perform better, organizations need to be equipped with quality and innovative human resource. Nonetheless, in order to know where organizations are in there level of performance and bring about better performance an appropriate means of performance evaluation and measurement system need to be in place beforehand.

Employee performance in the organization is determined through performance management practice (O.Samwel, 2018). According to (Kerich, 2018) the philosophy of performance management in organizations is to establish an alignment between the company goals and the capabilities and skills of the employees thereby improving the entire system. The implication here is organizations need to set clear objectives to be achieved, not only this there is also a need to capacitate their employees to the level they become capable of understand and internalize the organization's goal strive for their achievement. Therefore, "Performance management requires that managers ensure that employees' activities and outputs are congruent with the organization's

goals and, consequently, help the organization gain a competitive advantage." (Abdurazek and Tigist, 2019, p. 1).

As the purpose of performance management is to improve productivity and efficiency through continuous enhancement of the overall organizational performance, putting in place the required measurement criterion and standards based regular performance measurement system is a must. However, this alone is not the end result of performance management rather it also requires the commitment of all the concerned parties in practicing the already in placed systems. Improvement on organization performance among other things is the result of the improvement on employees' performance for this reason organizations have to assess the performance of their employees on a regular bases as per the pre-determined criteria of performance management. In assessing the employee's performance, the criteria should address employee morale, customer satisfaction, marketing effectiveness, productivity, and profitability (Kerich, 2018). Therefore, once the importance of performance management in the overall improvement of organizational performance is understood it will be important to examine how performance management is practiced and how it affects organizational performance. Accordingly, this study intends to examine the effect of performance management practice on organization performance taking the Addis Ababa City Administration Health Bureau as a case.

1.2 Back ground of the Organization

As indicated in the Addis Ababa city government establishment document, the bureau was established in 1993 .The bureau is legally authorized to organize, co-ordinate and regulate public health services to the city. As of the re-organization decentralization method of the Addis Ababa Administration in 2003, a new structure was put in place for the bureau having three core processes, one version process and nine support processes. Under the bureau organizational structure, the 11 Sub cities Health offices that manage health centers in their respective sub cities are administratively accountable to their own sub-City administrations.

The bureaus is responsible for quality and reasonable, protective and curative health facilities to the inhabitants of Addis Ababa and thereby reduce morbidity and mortality due to communicable diseases and other health problems through active participation of the community and all partners. The bureau is the higher level organization coordinating and leading Addis Ababa Sub City and districts. Currently, the bureau has 203 total numbers of workers who are accountable for ensuring the health services of Addis Ababa's inhabitants.

1.3 Statement of the Problem

It is obvious that organizations always strive for achieving the intended objective that planned to survive in or win the competition which is only possible with the development of the capacity to the level it allows the realization of the achievement of the organizational objectives. This implies that so as to achieve their objectives organizations should be equipped with the financial, material, technological and human capital as required.

The employees of an organization as a human capital are more vital among other resources in this regards, because putting in use all other recourses in to the production process and come up with the desired output is on the shoulder of the human resources. People as human assets are the “glue” that holds all the other assets, such as financial and physical ones, together and guides their use to better achieve results. (Abdurazek and Tigist, 2019, p. 3). Therefore, the core point is that organizations need to focus on their human recourse as a major means of competing in the current taught competition in the business world.

What organization should do to remain competent in such increasing competition in the business across the globe is that to come with their unique strategies and if all the resources area integrated and directed towards the effectively implementation of these strategies the desired objectives could successfully achieved.

According to Kebre (2016) explanation, the aim of capacitating employees with the skill and knowledge needed to meet or exceed the desired organizational goal. Performance Management connects organizational objectives and individuals objectives that facilitate definition of expectations and agreements of role’s responsibilities and accountabilities, skills and behavior. Therefore, improving the performance of the human resources individually and as a team is a paramount important to survive or win the competition of the current competitive business environment. In this regards it is vital for organizations to invest on their human resources to equip them with the right skill and knowledge that enables them perform their tasks at the required level in line with connecting employees with the desired objectives and goals of the organization thus employees can put their efforts in the right direction for the successful achievement of the goals (Tahsildari & Shahnaei, 2015).

The very objective of performance management is to improve organizational performance through improving the entire work process and system. In this regard establishing successful performance management system developing and putting in place of appropriate and best suit strategies, polices

and procedure are the prerequisite tasks for organizations. However, for bringing about enhancement in organizational performance, putting in place a well-designed performance management system alone is a not sufficient condition, rather it requires effective implementation of each stages of the system with the guide of the in-placed documentations in a manner that facilitates for the successful achievement of the intended organizational goals. Irrespective of their nature, many public owned and private organizations with the aim of improving their organizational performance use performance management system as a means of evaluating and monitoring the performance of their employees against the identified organizational goals, however, for some organizations including the private sector effective implementation the system in a way that assure the produce of better performance result remain a challenging task yet (O.Samwel, 2018).

The result of the various literatures regarding the effect of performance management system on the overall organizational performance are mixed, as some of them revealed that PMS enhance both the financial and non -financial aspects of organizational performance, while others find no significant positive effect (DE Waal, et al., 2015). They further stated that more investigation on the role of performance management towards the enhancement organizational performance is still required to avoid the ambiguity in this regard.

The Addis Ababa city administration health bureau was established in 1993 G.C with the responsibilities of providing quality and reasonable, protective and curative health facilities to the inhabitants of the city. Coupled with the fastest expansion of the city, with the aim of capacitate itself and improve its organizational performance towards the provision of the health service to the level that meet the growing demand of the service the bureau has implemented performance management system since 1997, however yet whether the implemented performance management system help the bureau achieve the intended performance result is not empirically investigated. Furthermore, as per the knowledge of the researcher there only limited studies on the effect of performance management on organizational performance as country level. Therefore, this study intends to fill this gap through empirically examining the effect of performance management practice on organizational performance in the case of Addis Ababa city administration health bureau.

1.4 Basic Research Questions of the Study

This study intends to answer the following basic research questions:

- How the performance management process is being practiced in Addis Ababa City Administration Health Bureau?
- What kind of association exists between the performance management system and organizational performance in the case bureau?
- What is the effect of the various process of the performance management system on organizational performance?

1.5 Objective of the study

1.5.1 General objective

The general objective of this study is to examine the effect of performance management practice on organizational performance in the case of Addis Ababa Regional Health Bureau.

1.5.2 Specific objectives

Accordingly the study has the following three specific objectives:

- To examine the practice of the performance management process in the case of Addis Ababa City Administration Health Bureau.
- To examine the association between the performance management system and organizational performance in the case bureau.
- To examine the effect of the various process of performance management system on organizational performance.

1.6 Significance of the research

Performance management system enable organizational to explain the desired outcomes and identify gaps and find a way of filling a gap ,which lead organization to achieve the intended objective. It is also important to find the essential feedback and proceeds corrective measure to ensure the successful implementation of performance management system at Addis Ababa city Administration Health bureau is also its importance. The research finding expected to propose important recommendation and initiates the concerned organization to reassess its existing practices and put a renewed emphasis on this core human resources functions performance management and administrative practice with a view of maximizing its benefits. Moreover, measuring and monitoring the performance management practices improves the organizational performance by aligning individuals' effort towards organizational goals.

1.7 Scope of the study

Performance management method is appropriate in all kinds of organization regardless of its dimensions, nature and goal. The focus of this study is limited on examining the effect of the current performance management system on organizational performance in the case of Addis Ababa Regional Health Bureau. It specifically wants to examine the effects of performance planning, performance appraisal, performance reward, performance training, and performance feedback on organizational performance. Both primary and secondary data were used. A population consisting of 147 employees was used for the investigation and structured questioner was distributed for 134 employees. The geographical boundary of the research is the AACAHB. The study was focused on the management and non- management staff of the AACAHB.

1.8 Definition of Terms

Performance Management practice: is a tool that constitute of the process of identifying, evaluating and developing the employee's performance (Panda, 2016).

Performance Management: is a methodical procedure of successful organizational performance by aligning individual employee's efforts to address organizational planned aims (Newstrom, 2011).

Performance Appraisal: is one of the most important phases of performance management which contains planning, implementation, and valuation of the performance of individuals in the institution (Appelbaum et al., 2003) .

1.9 Organization of the Research

This study which focuses on the performance management practice on organizational performance is organized in to five chapters. The first chapter is the introductory part which comprises of background and of the study, the statement of the problem, the objectives of study, the significance of the study, the scope of the study, operational definition of term organizing of the study. The second chapter briefly reviews the concepts, theories, and empirical works related to the performance management practice on organizational performance. The third chapter is about the design and methodology. Research design, research setting, the participants of the study, sampling techniques, data gathering instruments, procedures of the study, data analysis techniques are explained. Chapter four presents the detailed analysis of data. Then, finally chapter five presents the summary, conclusion and recommendations of the results from the analyzed data.

Chapter two

2. Literature Review

A research can be done alone but not in isolation. Therefore, this section of the study presented both the theoretical and empirical literatures reviewed in relation to the topic of this particular study.

2.1 Theoretical Literature Review

2.1.1 Definition and Concepts of Performance Management

Performance management is a process of improving the performance of an organization by helping individual and team to develop their capacity or reach the intended destination (Armstrong2006).

O.Samwel, (2018) Define performance management as a process by which organizations direct the organizational process towards the enhancement of employees' productivity and evaluate its level of achievement. According to Chiang and Birtch (2010), performance management can be defined as a process of measuring and improving employees' productivity. Performance management refers to the system that organizations use in setting work goals, establishing performance standards, assigning and evaluating employee's work, forwarding feedback to employees' level of performance, identifying training and development needs as well as allocating performance based rewards to employees (Briscoe & Claus 2008). Daniels (2014) views performance management as an instrument of changing employees' behavior with the aim of improving and ensuring their effectiveness thereby the overall organizational performance. In overall based of the definitions above it can be concluded that performance management intends to increase organizational performance through enhancing employees' effectiveness.

Performance management improves employees' motivation to wards producing their best for the success of the organization through promoting employees' skills and opportunities to participating in the organizational activities (Appelbaum et al. 2003). Newstrom (2011) Argued that in order to keep consistent their performance management system with the international trend of making business more responsive to the needs of the clients, organizations need to revise them in a regular basis.

2.1.2 Performance Management System

According to Tripathi and Argawal(2016) performance management system can be defined as the process of collecting, analyzing and monitoring of information of employees' performance for better decision making. A performance management system is a means of integrating human resource management activities with organizational business objectives to allow management and human resource activities working together in influencing individual and groups support the organization's strategy (Lawler, 2003). As described by Macky & Johnson(2000), the very aim of performance management systems is to bring about continuous improvement on organizational performance through continuously improving individual employee performance. As defined by Dobre k(2013), performance management system is the deferent metrics that organizations use to measure the level of effectiveness of the performance of performance. According to Lawler(2003), motivating performance, helping individuals develop their skills, building a performance culture, determining who should be promoted, eliminating individuals who are poor performers, and helping implement business strategies are among the main objectives of performance management system cited in Ying(2014).

2.1.3 The Purpose of Performance Management System

The purpose of performance management system may vary across organizations with the particular objective to be achieved. According to Dewettinck (2008) the purpose of a performance management system is a reflection of the main objectives and guiding principles that an organization intends to achieve a competitive advantage using the system.

The objective of performance management in overall is to achieve organizational goals through developing the capacity of employees' (Armstrong, 2009). As asserted by Smither and Reilly (2009), in sum the very purpose of performance management is to come up with better organizational results through teams and individuals efforts towards the achievement of the predetermined organizational goals.

Performance management system is consist of five basic elements namely; recognition, constructive feedback, personal development and career opportunities (Armstrong and Baron 2005). According to Ricci(2016), Performance management system characteristics can fall in to the following four categories: the purpose of the system, performance measures, activities, and structural characteristics. Similarly Armstrong (2009) explained that Performance management is a

planned process with five primary elements such as agreement, measurement, feedback, positive reinforcement and dialogue. To be said complete a performance management process should include performance planning, evaluation and rating (Price et al. 2007). Therefore, the implementation of effective performance management system requires gathering valid information, analyzing and interpreting the gathered information. Information collected by a PMS can be for different purposes Abdurazek and Tigist(2019). According to Aguinis(2013), organizations can use for the following purposes; namely for strategic, administrative, information, developmental, organizational maintenance, and documentation purposes.

Strategic: Performance management allows organizations to reinforce behaviors consistent with the achievement of organizational goals via linking the organization's goals with individual employee goals.

Administrative: in the eye of administrative function being a main source of relevant information performance management help managers make right performance based administrative decision of employees.

Communication: as the information from the performance management system provide managers detailed information of the performance, PM can serve for supervisors as a means of communication with the employees.

Developmental: for it helps managers to identify the strength and weakness of each employee as well as the causes for the good and bad performance they can coach and provides feedback employees for further continuous improvement in their performance.

Organizational maintenance: PM also provides information of the organization's human resource that can be used as an input for the preparation of work force planning. *“Workplace planning is a set of systems that allows organizations to anticipate and respond to needs emerging within and outside the organization, to determine priorities, and to allocate human resources where they can do the most good”* (Abdurazek and Tigist, 2019, p. 3).

Documentation: as PM continuously provides useful information of the organizations human resource and organizational progress over time. Therefore, through documenting the information organizational can use it for further analysis in the future as required.

2.1.4 Organizational Performance

Formulating and implementing performance management in any organization is just to bring about a continuous improvement on employees' effectiveness thereby enhance organizational

performance . However, having in place a performance system and implementing it alone is not a guarantee for achieving the desired outcome rather it requires effective implementation. According to Waal (2007), to be said effective a performance management process should meet the predetermined organizational financial and non-financial goals including the improvement of skills and competencies as well as enhancement in the customer care and process quality. Effective performance management demands both performance measurement and acting on the corresponding result (Waal et al., 2011).

Conducting an assessment on organizational performance help organization determine the level of achievement of the predetermined organizational goals. Therefore, in order to understand the level of effectiveness of the implemented performance management process organizations in terms of achieving the already planned goals, organizations irrespective of their nature need to measure organizational performance. In addition through measuring their performance organizations can also identify the strength and weakness throughout the process and act accordingly. This implies that performance measurement is one the most vital component in the performance management system.

Performance is typically evaluated by use of a performance measure, which has been defined as “a variable or metric used to quantify the efficiency or effectiveness of an action” (Olsen, et at., 2007, p. 563) cited in (Ricci, 2016). As stated by Hunger(2003), performance measurement as a means of assessment of organizational performance highly emphasizes on how the units have to be assessed and how they are going to be achieved. Therefore, in assessing organizational performance putting in place the most appropriate method of assessment and identifying the right variables that well suit in indicating the various aspects of organization performance is a paramount important. Once the variables to be assessed are known and the right measurement unit is already there, organizations can then become clear on how organizational performance is to be assessed as well as in what way the various perspective of performance indicators are to be achieved.

Based on its definition one can understand how the term performance can be seen from the various financial and non-financial goals of organizations. In this case it will be a must to link performance with the various financial and non- financial performance indicators (Popova, and Sharpanskykh,2010). Therefore, in measuring organizational performance against the different indicators organizations need to deploy a set of statistical data. The data to be used can be ether quantitative or qualitative depending up on the very purpose of the measurement.

In the traditional performance measurement organizational performance was measured only from the financial perspective. Although, there are many indicators in measuring the financial success of organizations, Profit Margins, Return on Assets and Return on Equity are among the three frequently used ones (Tangen, 2004). However, in the current stiffly competitive business world and the globalization era where the world become as close as a village relying only on the financial performance indicators couldn't provide the full picture of organizational performance. As the traditional performance measures failed to consider the non-financial factors that directly or indirectly affect the organizational productivity, currently many companies across the world have been measuring performance by incorporating the non -financial factors such as such as customer loyalty and employee satisfaction (Ittner and Larker, 2003).

Following the limitation of the traditional performance measures in terms including the non-financial aspects of organizational performance indicators, many organizational performance measurement evaluation models that considered the non-financial performance indicators have been developed by various authors over time.

In general, all these models were designed with the objective of help organization measure their performance through incorporating both the financial and the non- financial perspectives of with multiple indicators. However, what to measure and how to develop the organizational performance measurement and evaluation system highly depends on the specific strategies and goals intended to be achieved by each organization. This in turn makes to find a one single fit organizational performance measurement and requires individual organizations to develop specific organizational measurement that most suit with their particular objectives (Tangen, 2004).

In relation to the objective of performance management at organizational level the Balance Scorecard is one of the most important and widely used management tool as indicated in the literature (Felizardo et al., 2017). It was designed Kaplan and Norton in 1990, to help organizations measure performance in a two balanced perspective namely: financial and non-financial, short-term and long-term, internal and external.

2.1.5 The Performance Management process

Being its main focus is on the overall organizational performance, performance management process puts effective achievement of predetermined organizational goals at the center. Although, the elements in the organizational performance management process may not be the same for all organizations it should address the major priority areas of a particular organization. As described

by Kerich(2018), the performance management process as systematic stages which are in a continuous cycle should incorporate the planning, coaching, reviewing, and rewarding performance. The performance management process consists of five key competes namely: identifying key objectives, developing strategies and plans, putting in place the best suit method of assessment and measurement, setting targets, information flows, and reward (Otley, 1999). As indicated by Schneier, Beatty and Baird (1987), development, planning, managing, reviewing and rewarding are the five main phases in the performance management process.

As it can be learned from the above discussion there is no one fit approach in formulating the framework for performance management process. According to Aguinis (2009), the performance management process incorporates the following five phases; the pre-requisite or preparation phase, the planning phase, the execution or appraisal phase, the performance assessment phase, the performance review phase and the performance renewal and re-constructing phase. All these elements are highly interrelated and the performance management cycle remains incomplete without the inclusion of all these elements.

2.1.5.1 Pre-requisites/preparation

In implementing performance management system organizations are expected to fulfill two basic pre-requisites. First organizations need to outline the overall mission and strategic goals based on relevant data. Once the organizational goal has been established cascading it to the departmental and individual employee is another important step because it helps departments and individual employee knows what they are expected to perform towards achieving the organizational goal. The second pre-requisite is about making employees understand and internalize the job in question or the commitment activities. This intern help employees know what they are supposed to do and organizations evaluate employees' performance accordingly.

2.1.5.2 Performance Planning

Performance planning refers to the phase where organization defines their expectation from employees. In this phase managers, supervisors and employees come together to set the goals and targets of individual employees and arrive at a consensus on them. At this stage mangers are expected to examine the key responsibilities of the individual employees and discus on it, and initiate objectives with the employees (Kerich, 2018). Through allowing employees involve in the planning process this phase enhances employees' motivation emanating from the sense of

belongingness and ownership thereby organizational success. In this stage managers are also identify the required competences that employees have to equipped with towards the successful achievement of their objective and develop standards to evaluate employees based on their level of performance.

2.1.5.3 Performance Execution

This face refers the stage where the already agreed upon goals are converted or translated in to action. Therefore, at this stage employees are expected to bring about the required results, demonstrate the expected behavior as well as strive to pursue the development plan (Abdurazek and Tigist, 2019). Commitment towards the achievement of the pre-determined goals, continuing performance feedback and coaching, communication with supervisor, compiling and sharing of performance data and preparing for performance reviews are the major activities during this stage. Here employees are the primary responsible in executing the performance and need to be committed towards the achievement of the agreed upon objectives. However, managers and supervisors are also expected to support and coach the employees' effort thereby create the enabling employees for the employees effort. Observation and documentation, Updating objectives, standards, key accountabilities and competency areas, feedback on employees' performance and coaching to improve performance, providing employees with resources and opportunities and reinforcement are among the main responsibilities of supervisors during this stage according to Smither and London(2009). Therefore, it is at this stage where organizational goals are achieved through the combined effort of employees and supervisors.

2.1.5 .4 Performance Appraisal

After the execution of the agreed upon plan the next most important phase of performance management system is performance assessment the organizational level and individual employees' performances against the predetermined goals. In the performance assessment or appraisal phase of performance management process, the level of success and failure towards achieving the already planned goals are evaluated and based on the information obtained preparation will be done for the better achievement in the next period. Being its very purpose is enhancing employee's career development, performance appraisal help managers provide employees with relevant feedback regarding their contribution to the organizational productivity through performing a continuous assessment and measurement of employees' performance towards meeting organizational goal

(Ziyaminyana and Pawka , 2019). He also emphasized that in order to be enabling to provide their employees with a vibrant performance based feedback; organizations should have to align performance appraisal system with organizational goals.

2.1.5.5 Performance Review

This stage of the performance management system demands employees' to set together and review their assessment. Performance review is a vital part of the performance management system because it allows the involvement of employees and managers in reviewing the assessment over the past performance of employees i.e. the extent of achievement of goals and the way it was accomplished. The meeting is important because it provides a formal setting in which the employee receives feedback on performance (SmitherJW and LondonM,2009). Conducting regular performance review help organizations understand the level of achievement of goals at organizational level and at individual level and reward employees as per their performance. Furthermore, it also enhances employees' motivation and commitment through creating the sense of belongingness and ownership as it gives room for employees' involvement in the review course.

2.1.5 .6 Development plan

Performance development deals with the renewal and readjustment of the existing organizational level, departmental and individual employees goals based on the information obtained from the performance assessment and review of the assessment. Development can be seen in terms of career development and personal development. The former is about promotional decision based on the assessment result while the latter is about filling the gap in employee's performance through the on the job training and off the job training.

2.1.5.7 Rewarding performance

Performance rewarding can be considered as a classification of employee's performance against the level of achievement of the predetermined objectives. Therefore, organizations need to connect performance management system with their reward system as it enables them rate employees' performance level and reward employees as per their level of performance. Performance based reward enhances employees' motivation as it make them feel that their effort and the corresponding performance is recognized and appreciated and thereby continue to contribute their best towards the success of the organization they are working in (Kerich, 2018).

2.2 Empirical Literature Review

Butali and Njoroge(2018), investigated the impact of performance appraisal on organizational performance in the case of three companies engaged in stock exchange in Kenya. The finding of the study confirmed that performance appraisal has a statistically significant positive effect on organizational performance. Furthermore, the result also revealed that affective commitment, continuance commitment and normative commitment moderated the relationship between performance appraisal and organizational performance.

Verbeeten(2008) examined whether performance management practices affect performance in public sector organizations, using survey data from 93 public sector organizations in the Netherlands. The study finding revealed that clearly defined and measurable organizational goals has with quantity performance as well as quality performance. In addition, incentives as performance reward method has found to have positively association with quantity performance but not related to quality performance.

Kerich(2018) examined the effects of performance management on human resource output in organizations-case Safaricom company-Kenya. The findings of the study confirmed that recognition and reward system, training of the employees and performance feedback are with significant effect in increase their output thereby organizational performance.

Listiani and Kartinim(2015) analyzed the effect of performance management on organizational performance of 30 local companies in Indonesia-java using Structural Equation Model (SEM). The result showed that performance planning, performance appraisal and feedback positively affect the performance of organizations both in financial and non-financial dimensions of organizational performance.

O.Samwel(2018) assessed the impact of performance management on employee and organization performance in the case of selected private organizations in Tanzania. The study findings revealed that there is a significant relationship between performance management and employee performance as well as between performance management and organizational performance.

Panda and Reddy (2016) explored the association between performance management system and organizational effectiveness in Malaysia. The empirical finding of the regression analysis indicated that Performance Appraisal, Performance Management, Performance Feedback, Performance Monitoring and Performance Training as a component of the performance management system have positive and statistically significant impact on organizational effectiveness.

Tahsildari and Shahnaei (2015) examined the impact of HRM practices on organizational effectiveness in Malaysia with a particular focus on university. The study finding revealed that training, employee participation, performance appraisal, and job description as performance management system elements have significant effect on organizational effectiveness.

Ying(2014) studied the impact of performance Management System on Employee performance in the united Kingdome. The analysis was done by applying the Kruskal-Wallis test and Ordered log it regression method and deploying The 2004 WERS data. According to the study findings continuous communication within organization and personnel development have statistically significant and positively impact on employee performance this in turn enhance organizational performance. However, in overall the effect of performance management system has found to be with positive but insignificant relationship with employee performance.

Ziyaminyana and Pawka (2019) investigated the impact of performance management system on employees' productivity in the case of information and communication technology companies in Harare. The empirical finding of the study showed that performance appraisal, performance training, performance reward and performance feedback have statistically significant positive impact on employees productivity. As organizational productivity passes through employees' productivity one can infer that the above mentioned components of performance management system have also the same effect on organizational productivity to.

Danish and Usman (2010) conducting an investigation on the impact of performance management system on employee's productivity taking both private and public organizations in Pakistan confirmed that performance management system affects employee's productivity and motivation positively.

Randell (2014) examined the relationship between performance management system and employees productivity in the Western Cape on 2000 sampled employees who engaged in the insurance companies. The study finding showed that there exists a positive association between the two variables.

2.3 Research gap

In general, most of the previous literatures on the effect of performance management system on organizational performance were done on selected more than one organization from private or public if not from both sectors. This in turn gave the general understanding on the relationship between PMS and organizational performance. However, as organizations implement PMS

individually based on their internal context, thus in order to know whether a PMS implemented by a particular organization is successful it will be important to investigating the effect of PMS on organizational performance in the case of a single organization. Furthermore, the literatures also are with limitation in terms incorporating variable from all the three phases of PMS especially the performance reward phase. Therefore, this study intends to fill this gap by examining the effect of performance management system on organizational performance by taking the Addis Ababa City Administration Health Bureau as a case and by incorporating variables in a manner represent all the three phases including performance reward.

2.4 Conceptual Framework

Based on the reviewed previous empirical studies related to the effect of performance management system on organizational performance, the conceptual framework for this study has been developed. From the empirical findings of the reviewed related literatures, development and planning performance, performance appraisal, performance training (development), performance feedback and performance reward are identified as the main elements of performance management process that significantly affect organizational performance. Therefore, as depicted in the figure 2.1, for examining the effect of performance management on organizational performance, the relationship between the performance management system and organizational performance has been formulated by, taking incorporating developing and planning performance, performance appraisal, performance training (development), performance feedback and performance reward as independent variables organizational performance as a dependent variable and .

Independent Variables

Dependent Variable:

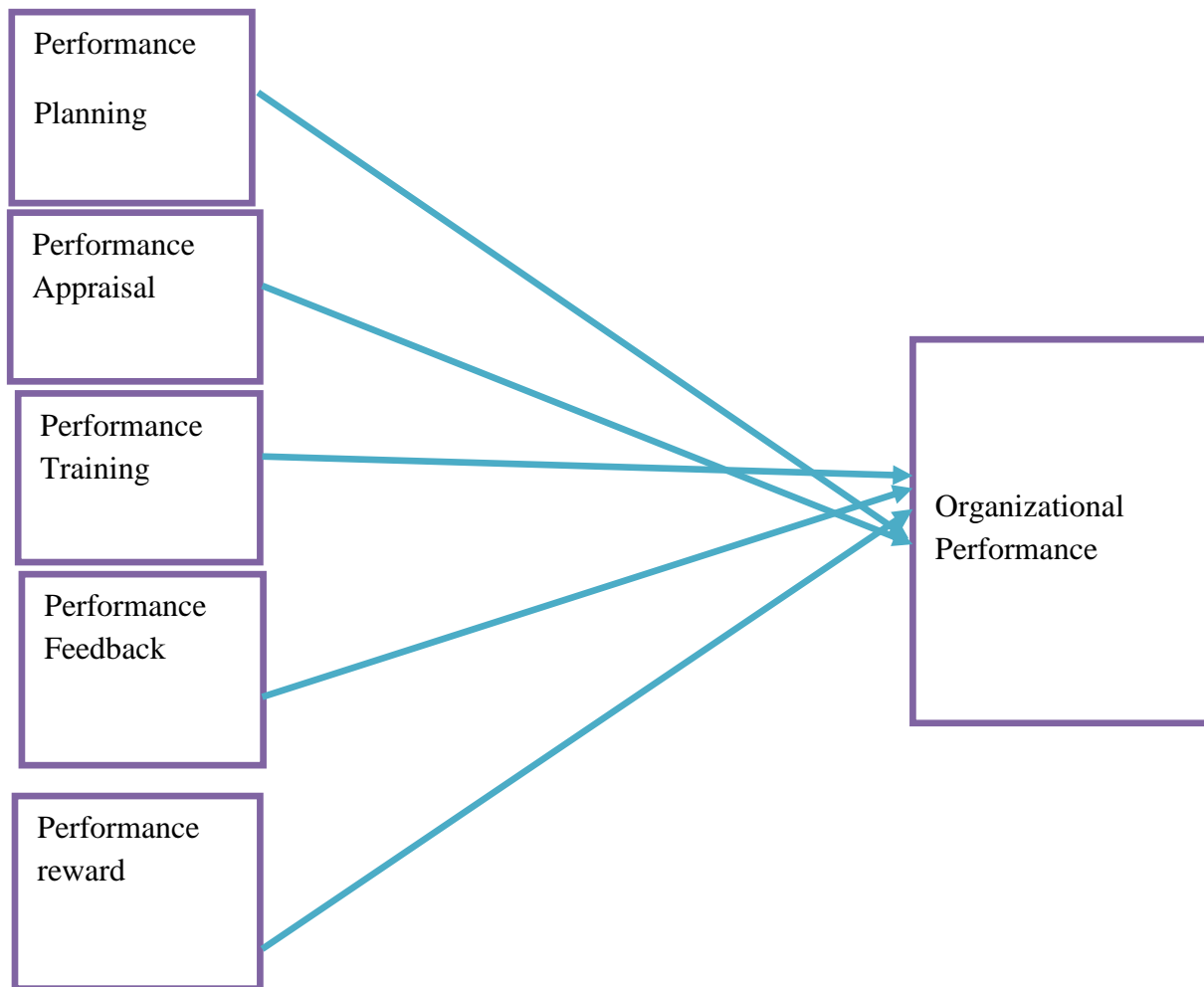


Figure2. Conceptual Framework

Source: Owen developed based on the literature reviewed

2.5 Explanation of the variables

In this section of the study the description of the explanatory variable and the dependent variable that are incorporated in the regression model of the study are presented.

2.5.1 Organizational Performance

Organizational performance/effectiveness is the main concern of any organization irrespective of its nature. In the current stiff business environment assuring organizational effectiveness is considered as the vital means of winning the computation or for survival in the computation.

It is hard to find a single best way to characterize organizational effectiveness including characterizing it as the accomplishment of objectives, objective achievement without forcing strains on the authoritative framework, and as far as meeting criteria set by the constituencies of an association (Zammuto, 1982) cited in (Tahsildari and Shahnaei,2015). However, the goal approach, the systems resource approach, and the process approach are three most commonly used approaches in the examination of organizational effectiveness/performance according to (Tahsildari and Shahnaei, 2015). They also stated that the multiple constituency approach has also emerged as a new approach, which is the highbred of the initial three approaches.

The goal attainment approach is characterized by an identification of goals to measure organizational effectiveness (Eydi, 2015). In this case organizational performance is measured by the level of achievement of the predetermined goal. Organization's capability of securing rare resource is used as a measure of effectiveness in systems approach (Tahsildari and Shahnaei, 2015). Therefore, the application of this approach necessitates attracting necessary resources and maintaining a harmonious relationship with the environment according to (Eydi, 2015). The internal process model of organizational effectiveness, performance is evaluated in the organization's ability of creating harmonious and efficient internal environment (Chelladurai, P et al., 1987). Unlike the previous two approaches, this approach considers factors such as trust, integrated systems, and smooth functioning as more accurate indicators of organizational effectiveness (Eydi, 2015).

The approach that emerged as a forth approach aiming to avoid the shortcomings of the three initial approaches is the hybrid of the three approaches. "A suitable elective to the objective, frameworks, and process approaches for examining and measuring organizational effectiveness is the multiple constituencies (MC) approach" (Tahsildari and Shahnaei, 2015). Based on the organizational the internal context it is app to individual organization to select the best approach in measuring their effectiveness.

2.5.2 Performance Planning

What comes at the first stage of performance management process is setting clear and measurable organizational goals. Once goals are set at organizational level it also required to cascade them to the departmental level and individual employee level. Following the goal setting process that is fundamental in the performance management process performance planning is required for the successful execution of the goals. Performance planning refers to the phase where organization

defines their expectation from employees. In this phase managers, supervisors and employees come together to set the goals and targets of individual employees and arrive at a consensus on them. Through aligning individual objective with organization objective, help employees what they are expected to do to the achievement of organizational goals and creating sense of belongingness and commitment developing and planning performance phase of performance management system enhances organizational effectiveness.

2.5.3 Performance Appraisal

Performance appraisal is also among the most important elements of the performance management process that comes after the execution of the planned and the agreed upon organizational object. It is a tool used by the organization to review and evaluate the performance of employees over a certain period of time (O.Samwel, 2018). What makes performance appraisal unique is its multiple benefits to organizations success in enhancing employees' productivity and achieving predetermined organizational goals. As it allows organization evaluate employee' performance and identify the strength and weakness observed in performing jobs, performance appraisal offers opportunities to improve organizational productivity. Successful performance appraisals facilitates organizations conduct abundant performance improvement functions such as feedback, coaching, goal setting, skills development, pay determination, legal documentation, employee comparison and layoff selections (Murphy, 2004). In general performance appraisal help organizations improve their effectiveness through learning in process and acting in corrective activities.

2.5.4 Training

In the contemporary business world organizations success is highly depends on the quality of the human resource they have. Training is one of the most important tools that organizations used to fill the Knowledge and skill gap of their employees.

Training defined as a factor on enhancing the present or future performance of employee through increasing their ability to perform via learning or changing their attitude that lead to increase their skills and knowledge (Conti, 2005) cited in (Tahsildari and Shahnaei, 2015). One of the most important benefits of performance evaluation is that organization can identify the performance gap of employees and look to the better way of filling it in which training is the one. According to Chandra and Saraswathi (2018), through enhancing the knowledge and skill of employees, a good

training or coaching course help organizations improve production efficiency that can be expressed in producing more quantity output with less input and cost. Therefore, training can be considered as one of the most important elements in the performance management system that affects organizational performance positively.

2.5.5 Performance Feedback

One of the most important benefits of the performance assessment/appraisal in the performance management process is that it provides an opportunity for both supervisors and subordinates provide each other a performance based feedback. Performance feedback is an important mechanism of identifying employee strength and weakness in the past job performance (Bahrija et al. 2013). The exchange of performance evaluation based information on the past performance between employees and supervisor leads to improved future overall organizational performance because it help employees and supervisors know their area of strength and weakness strive to improve their performance in the future. As it allows organization recognize employees' for their good performance and make employees feel that they are involved in the evaluation process and discussion on their performance, Performance feedback can also considered to play a motivational role for employees to contribute more for the future success of the organization working for. As elucidated by Stone et al.(2006), providing employees with performance based feedback to employees will make them be motivated to become more innovative and come up with brilliant ideas that would provide organizations with more competitive advantage. Therefore, performance feedback is believed to influence organizational effectiveness positively.

2.5.6 Performance Reward

Rewarding performance refers to the financial and non- financial incentives that organizations provide to employees based on their level of contribution to the organizational success. The rewarding performance phase is constitute of three activities; namely personnel development, linking to pay and identifying the results or performance (Schneier et al. 1987). In broad, reward system can be categorized in to extrinsic and intrinsic reward. The former refers to the monetary reward while the later refers to the non-monetary one. Although, the effect of the two reward system on employees motivation and efficiency vary from organization to organization both are believed to positively influence organizational performance through enhancing employees' productivity. According to Akhtar and khattak(2013) reward system enhances organizational

productivity by catalyzing employees' motivation towards striving more in realizing the achievement of organizational goals and objectives. Thus, effective performance reward system expected to influence organizational performance positively.

Based on the literature reviewed and the conceptual framework, the following five research hypotheses are developed for this particular study:

H₁: Performance Planning has positive and statistically significant effect on organizational performance.

H₂: Performance Appraisal has positive and statistically significant effect on organizational performance.

H₃: Tanning has positive and statistically significant effect on organizational performance.

H₄ : Performance feedback has positive and statistically significant effect on organizational performance.

H₅ : Performance Reward has positive and statistically significant effect on organizational performance.

CHAPTER THREE

3. Research Methodology

Under this chapter of the study, the research approach, the research design, target population of the study, the sampling technique deployed, the method and instrument of data gathering, data analysis techniques and ethical consideration of the study have been presented.

3.1. Research Approach

In research the research approach to be deployed is determined by the nature of the data to be used in a particular study. As this study used both quantitative and qualitative data types mixed research approach was found to be appropriate for this study. Therefore this study used a mix of both quantitative and qualitative research approach.

Mixed research method is considered to be very efficient in answering research questions compared to the quantitative and qualitative approach when used in isolation (Creswel, 2014). Therefore, in this study, a mixed approach is used since it helps to capitalize the strength of using the quantitative and qualitative approaches and remove any biases that can be met in any single research method.

According to Creswell, (2012), the quantitative approach helps researchers to test relationships between variables in which the investigator primarily uses post positive claims for developing knowledge, this is the cause and effect relationship between known variables of interest or it employs strategies of investigation.

Qualitative approaches to data collection, analysis, interpretation, and report writing differ from the collection of open-ended data, analysis of text or pictures, representation of information in figures and tables, and personal interpretation of the findings all inform qualitative methods (Creswell, 2014). Thus, this study deployed both quantitative and qualitative data type the research approach followed also by default was mixed approach

3.2. Research Design

The research design to be employed is determined by the purpose that particular study. This study have three specific objectives; the first research objective is to examine the current practice of performance management practice of the Addis Ababa city administration health bureau, the

second research objective is to explore the existing association between performance management system and organizational performance in the bureau under study and the third one is to examine the effect of performance management on organizational performance in the case bureau. Accordingly, in order to answer the first objective of the study descriptive research design was employed while explanatory research design was used to answer the second and the third research objectives of the study. Therefore, both descriptive and explanatory research designs have utilized in this study.

3.3 The Target Population of the Study

The study targets all employees of the Addis Ababa City administration Regional Health Bureau who are working at different departments with different job position. Generally, the target population was 203 in total including the bureau having three core processes, one version process and nine support processes. Population refers to an entire group of individuals, events or objects having common observable characteristics (Mugenda, 1999). Including all the target population supports the researcher to choice the respondent without intention and that reduce the biases that can happen from researcher deliberate selection of respondents that results in getting relevant data.

3.4 Sample size Determination and Sampling Techniques

3.4.1 Sample Size Determination

The population of this study was the entire workers in Addis Ababa City Administration Regional Health Bureau. In order to determine the right representative sample of the study the researcher has preferred to use a sample size determination formula developed by Yamane(1967) cited in (Israel, 1992)

Therefore, the sample size determination formula is presented below as follows;

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

Where:-

N= the size of the population= 203

n = the required sample size

e = the error of precision or margin of error 5%

$$n = \frac{203}{1 + 203(0.05)^2} = 134,$$

n=134

Applying 5% error margin, the sample size for the survey questioner in the study was 134 members of the target population. In addition for the interview 13 interviewee one for each process who is to be selected based on their relevance in providing the required information for the study will also be selected. Accordingly the sample size of this study was determined to be 147.

Table3.1: Number of employee and proportion of sample taken from each unit

NO	Total Number of Population	Percentage of each unit out of the total	Sample Size from each unit	Directorate and Department
1	47	0.23	31	Regional laboratory
2	22	0.11	15	Pharmacy
3	5	0.02	3	Bureau head and Consultant
4	5	0.02	3	Gender
5	8	0.04	5	ICT
6	8	0.04	5	Plan
7	12	0.06	8	MCH
8	4	0.02	3	Communication
9	4	0.02	3	Low
10	3	0.02	2	Reform
11	6	0.03	4	Health Insurance
12	13	0.06	8	Human resource
13	1	0.01	1	Oddity
14	24	0.12	15	Procurement
15	17	0.08	12	Health prevention
16	16	0.08	11	Medical service
17	8	0.04	5	Finance
total	203	1.00	134	

Note: Developed by the researcher, 2021

3.4.2 Sampling Techniques

Once the sample size is determined the next step will be selecting the representative respondents based on appropriate sampling technique. In this regards a sort of probability sampling technique called simple random sampling was applied to select sample representative respondents for responding the survey questionnaire while a kind of non-probability sampling technique namely purposive sampling was deployed to select respondents for the interview. The rational for applying Purposive sampling for selecting key informants for the interview was the researcher's preference to select those who can respond better and provide relevant information for the success of the study.

3.5 Data Gathering Instruments

In order to come up with valid and reliable research findings both primary and secondary data type was deployed in this study. For gathering the required Primary data a well-designed survey questionnaire and interview were used in this study. In addition to collect secondary data to be deployed various administrative documents and publications of the Addis Ababa City administration Regional Health Bureau were reviewed for the completeness of the study.

3.6 Data Analysis Techniques

Based on their qualitative and quantitative nature of the data to be deployed, the primary data collected from the selected sample respondents in the targeted sector was analyzed and interpreted using qualitative and quantitative data analysis methods. The qualitative analysis applied on the data collected using interview method. Accordingly the interview data was summarized and articulated by the researcher and was also triangulated with the data gathered using structured questionnaire. Under the quantitative analysis both and inferential statistics techniques were deploy. The descriptive statistics was used to present the demographic information and the level of perception on the questions presented under each categories. The descriptive data analysis result was described using Percentages, frequency, mean and standard deviation. Therefore, the data was presented using table, charts and graphs. In addition the kinds of inferential analysis technique called correlation analysis and linear regression analysis with ordinary least square technique were also used in examining the association between the dependent variable and the independent

variables and the effect of the independent variables on the dependent variable respectively. For analyzing the quantitative data a statistical package for social science (SPSS) version 20 was used in this study.

3.7 Procedures of the study

After the topic that deal with performance management practices on the organizational performance with targeting Addis Ababa City Administration Health Bureau was selected, the researcher tried to basic research questions which should be answered by the research at the end. Then literatures around the study were reviewed according to different scholars' perspective. Next, tools (Rating and interview questioners) were formulated focusing on the basic question and statements of the problems discussed on performance management practices on organizational performance. After testing and assuring the validity and reliability of the instruments, the researcher was administer the prepared questions for the respondents three weeks after and collect the data accordingly. The interview questions were organized and transcribed units were analyzed. Then finally the researcher was made detail description, analysis, summary, conclusion and recommendation based on the objectives and statement of the problems.

3.8 Reliability and Validity tests

3.8.1 Reliability test

Reliability test was done to measure the extent the different items in the same construct or the different questions in the questionnaire are consistent. The reliability measurement were computed on the different items under the same constructs using the internal consistency measurement i.e. Cranach's Alpha. The inter-item correlation or Cranach's Alpha coefficient of evaluation for each constructs were registered to be greater than the cutoff point 0.70. The result confirmed that the internal consistency or the reliability of the data was high and can be acceptable because, the values of alpha coefficient for all factors were above the cutoff point criteria ($\alpha \geq .70$). The closer the value of alpha to 1, the higher will be the internal consistency or reliability.

Table 3.2: Reliability test result

Factors	Cranach's Alpha	No. of Items
Performance management practice	.839	10

Performance planning	.839	7
Performance appraisal	.833	7
Performance reward	.883	11
Performance feedback	.948	10
Performance training	.883	6
Organizational Performance	.920	11

Source: own survey, 2021

3.8.2 Validity test

In order to understand the extent how much each question in the questionnaire are adequate in measuring what it was supposed to measure it is important to conduct a validity test. Primarily an attempt was made to develop the questionnaire based on the review of previous related literature and standard questionnaires used in the related studies. In addition the questionnaire was evaluated by research advisor and other management staffs prior distribution.

3.9 Ethical Consideration

The information gathers from the respondents was used only for the purpose of this particular study and will never be passed for third party. Besides, the response of the respondents was used in this study at its original form without any manipulation. Respondents were kept anonymous and their personal information was also kept confidential.

CHAPTER FOUR

4. Result and Discussion

4.1. Introduction

This chapter presents the study findings, interpretation of the results and discussions made over the findings. The first section of the chapter presents the survey data of the demographic characteristics of the respondents. The second section of the chapter presents the finding and discussion of the descriptive statistics analysis while the third section deals with the presentation of the result and discussion of the inferential statistics analysis.

4.2. Questionnaire Response Rate

In this research a total of 134 questionnaires were distributed to the respondents and all are received back properly filed. Thus, the response rate for this study is 100 percent which in turn increases the adequacy of the data and the validity of the study findings.

4.2 Demographic Characteristics of Respondents

Analysis of the respondents' demographic information helps researchers understand the variation among the respondents in terms of the key demographic variables. Therefore, this section sought to present the demographic characteristics of the study respondents according to sex, age, educational background, job position and years of experience of the respondents.

4.2.1 Sex of Respondents

Table: 4.1: Sex of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	81	60.4	60.4	60.4
	Female	53	39.6	39.6	100.0
	Total	134	100.0	100.0	

Source: own survey, 2021

The finding on the gender distribution of the respondents indicates that out of the total 134 respondents of the study male respondents take the 60.4 percent share while female respondents represent 39.6 percent of the total sample respondents. This confirms that male respondents were dominant over those female respondents.

4.2.2 Age of the Respondents

Table: 4.2: Ages of the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-30 years	32	23.9	23.9	23.9
	31-40 years	68	50.7	50.7	74.6
	41-50 years	21	15.7	15.7	90.3
	above 51 years	13	9.7	9.7	100.0
	Total	134	100.0	100.0	

Source: own survey, 2021

Concerning the age of the respondents as revealed in the table below about 50.7 percent of the respondents fall in the age group between 31-47 years followed by those in the age group between 21 and 30 years with 23.9 percent share. 15.7 percent of the respondents fell in the age range between 41 and 50 years while the remaining 9.7 percent of the respondents were aged above 51 years. It can be judged that the majority of the respondents about 74.6 percent are at the age range 21-40 years which is productive age. Therefore, the organization under study has a large proportion of employees at the productive age that in turn help the organization enhance organizational performance as employees at this age group are easily influenced by organizational performance management practices.

4.2.3 Educational Background of the Respondents

Table: 4.3: Educational Background of the Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	6	4.5	4.5	4.5
	first degree	76	56.7	56.7	61.2
	second degree	51	38.1	38.1	99.3
	PhD	1	.7	.7	100.0
	Total	134	100.0	100.0	

Source: own survey, 2021

Regarding the educational background of the respondents, 56.7 percent of the respondents are first degree holder while 38.1 percent of the respondents have second degree. Those who are diploma holders take 6 percent share while only 0.7 percent of the respondents are at PhD level.

From the result one can understand that the majority of employees of the case organization are well educated to understand, accept and properly implement the performance management system thereby by the organizational goal be achieved.

4.2.4 Job position of the Respondents

Table: 4.4: Job position of the respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manager	2	1.5	1.5	1.5
	Director	14	10.4	10.4	11.9
	Coordinator	28	20.9	20.9	32.8
	Officer	81	60.4	60.4	93.3
	other supportive staff	9	6.7	6.7	100.0
	Total	134	100.0	100.0	

Source: own survey, 2021

Table 4.4 above depicted that 60.4 percent of the respondents were officers followed by coordinators with 20.9 percent share. 10.4 percent of the respondents were at director position while 6.7 percent of the respondents were other supportive staffs and the remaining 1.5 percent represented by those at managerial level. The result shows that the majority of the respondents are officers as expected for as is common for every organization.

4.2.5 Years of Experience of the Respondents

Table 4.5: Years of Experience of the Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	23	17.2	17.2	17.2
	1-3years	44	32.8	32.8	50.0
	4-6years	32	23.9	23.9	73.9
	7-10years	15	11.2	11.2	85.1
	11-15 years	13	9.7	9.7	94.8
	above 16 years	7	5.2	5.2	100.0
	Total	134	100.0	100.0	

Source: own survey, 2021

Regarding the respondents work experience the study finding revealed that 32.8 percent were with 1-3 years' work experience, 23.9 percent have 4-6 years of work experience. 17.2 percent of the respondents with the work experience of less than one year while the remaining 25.1 of the respondents have more than 7 years of work experience. This shows that about 50 percent of the respondents are at least with 4 years of work experience. This implies that a significant proportion of the employees of the case organization are experienced enough to understand the importance of the performance management system to the organizational performance.

4.3. Descriptive Statistics Analysis

In order to understand the respondents perception of the practice of the various stages of the performance management system and its effect on the organization performance of the organization under study, various statements were presented to measure the employees perception on the performance management practice of the case bank against each stages of the system and the effect on the organizational performance. Accordingly each statement under each stage of the process or the variables was subjected to the five likert scale of measurement. in the likert's five scale measurement each statement under a variable is scaled 1-5 when 1 represent the respondents perception of a statement as very disagree, 2 stands for disagree, 3 for neutral, 4 for agree and 5 for very agree of the particular statements. The mean value of the respondents rating for each statement under a variable will be taken as the employees' perception of a variable i.e. of the practice of the various stages of the performance management system. Therefore, the interpretation of the mean value for each variable is as follows; 1.00-1.80= very disagree, 1.80-2.60= disagree, 2.60-3.40=neutral, 3.40-4.20= agree, and 4.20-5.00= very agree.

4.3.1 Performance Management Practice

Table 4.6: Performance management practice

Statements	N	Mean	Std. Deviation
I have a clear understanding of performance management process and practice.	134	3.56	1.008
My duties and responsibility are clearly defined according to my job description that aligned to the organizational goals and objectives.	134	3.62	1.116

It is possible to say that everybody in my organization can clearly understand the organizational mission, strategy and objectives.	134	3.24	1.035
The performance management system in my organization helps employees to set and achieve their objectives.	134	3.40	1.012
I have been given a clear and useful orientation or training on performance management practice.	134	2.76	1.196
Management regularly communicates in a concise manner the organization mission and objective throughout the organization.	134	2.90	1.110
My organization has a periodic performance evaluation practice over employees' performance towards the achievement of the overall organizational goals.	134	3.59	1.035
My supervisors always give me feedback on my performance based on performance evaluation result.	134	3.16	1.156
My organization provides employees with trainings based on the gap identified in the evaluation process.	134	3.05	1.085
My organization rewards employees according to their degree of contribution/performance towards the organizational achievement.	134	2.49	1.142
Average performance management practice	134	3.18	.70
Valid N (list wise)	134		

Source: own survey, 2021

Here under this section respondents were asked to rate how well was the performance management practice of the organization under study against the various statements that describe the PMP of the organization in terms of the different phases of the process. In this regard the performance management practice of the organization under study was rated as neutral in overall with the aggregated mean score vale of 3.18 (Std. Deviation = .70) meaning respondents are in different to judge the PMP as good or poor. Putting in place a Performance management system is believed to be an important step to assure the enhancement of employees' performance as well as organizational performance. However, this alone is not a guarantee for the achievement of the intended outcome unless each phase of the PMS is well practiced. In this regard the result confirms in overall the performance management practice of the case organization is not adequate to bring about the intended improvement in the organizational performance and to the successful

achievement of the pre identified organizational goals. Thus, in order to improve the PMP the organization needs to make some evaluation and revise the practice in a way that assures the achievement of the intended organizational performance.

4.3.2 Performance planning

Table 4.7: Performance planning

Statements	N	Mean	Std. Deviation
The consultation process in the development of the performance management system is highly appropriate.	134	3.05	1.092
The performance management practices of the organization is participatory that lead everybody to participate during planning, execution and assessment.	134	3.03	1.150
Participating in the planning process motivates me highly to perform towards achieving the goal set by the organization.	134	3.34	1.221
Discussions takes place between manager and individual on what the latter needs to do to achieve the agreed goals, raise standards, improve performance, etc.	134	3.27	1.034
You were given a chance to take part in the development plan set aside in the last performance period.	134	3.13	1.113
Everybody in your organization need to be award as the performance planning is a one of the components of the performance management system of the organization.	134	3.67	1.046
Objectives set during the performance planning stage are mutually agreed and understood between employee and a manager.	134	3.18	1.089
average performance planning	134	3.24	.79
Valid N (list wise)	134		

Source: own survey, 2021

Being the first phase of the performance management system performance planning is an important step to introduce and make familiar employees with PMS. It refers to the phase where

organization defines their expectation from employees. In this phase managers, supervisors and employees come together to set the goals and targets of individual employees and arrive at a consensus on them. Through aligning individual objective with organization objective, help employees what they are expected to do to the achievement of organizational goals and creating sense of belongingness and commitment. Developing and planning performance phase of performance management system if well practiced it is obvious that it enhances organizational effectiveness. Therefore, organizations with well performance planning and performance in doing every piece of activities in this phase are believed to have clear goal.

In order to understand the performance planning practice of the case organization respondents were asked to rate the various statements of the performance management practices. Accordingly the result of the mean analysis of employees' perception revealed that in overall the performance planning phase of the PMS of the case organization was neutral with mean value of 3.24 (Std. Deviation = .79). As presented in the table below, almost all the statements were also rated as neutral as perceived by the respondents. This implies being one of the most import phase of the PMS performance planning is not adequately practiced to the level it would be to support the effectiveness of the overall performance management process thereby enhance organizational performance to the intended level. For the successful achievement of the pre-determined organizational goals the practice of performance planning phase need to be at least good if not very good. Therefore, the case organization should work more to improve the practice of the performance planning phase to the level it supports the effectiveness of the entire PMS process and achieve the intended organizational goals.

4.3.3 Performance appraisal

Table 4.8: Performance Appraisal

Statements	N	Mean	Std. Deviation
Performance appraisal makes me work harder than expected.	133	3.32	1.070
If don't agree with performance appraisal score, there is appeal process.	134	2.90	1.085
Performance appraisal makes me better understand what should be doing.	134	3.52	1.168

Performance appraisal is used as a decision making tool for the increasing my performance.	134	3.43	1.107
Performance appraisal influences positively individual performance.	134	3.66	1.003
Performance appraisal practice is valuable to enhance my performance in organization.	132	3.64	1.113
Am satisfied with the current performance appraisal system in the organization.	134	2.85	1.121
average performance appraisal	134	3.33	.77
Valid N (list wise)	131		

Source: own survey, 2021

The performance appraisal phase emphasizes on the assessment of the employees' performance during the period under review. It is through performance appraisal that organizations evaluate the level of progress or development brought about on individual employees and it can serve as an important data for providing feedback based on individual performance and for future planning to fill the observed gaps. Therefore, a well-practiced performance appraisal through motivating employees for their good performance and allowing those with poor performance know and improve their gap highly enhances the effectiveness of the overall PMS as well as the achievement of the pre-defined organizational goals.

The result in the table above indicates the performance appraisal phase of the PMS in the case organization is neutral with the mean score value of 3.33 (Std. Deviation = .77) in overall for all the various statements as judged by the respondents. This result attested that appraisal phase of the PMS is not adequate to support the successful achievement of the intended organizational goal through raising the employees performance. Therefore, so as to reach the intended outcome of the implemented PMS there is a need for a well implementation of the appraisal phase of the PMS in the organization under study. As the interview respondents view, there are limitations in owning the process by managers to the level making assessments to be done by subordinates. Moreover, the level of understanding of the PM system varies among managers that in turn make the performance management practice vary along with against the standard. Performance appraisal motivates good performance, provides constructive feedback and agrees on effective development plan. Thus, the case organization need to work hard in this regards.

4.3.4 Performance Training

Table 4.9: Performance Training

Statements	N	Mean	Std. Deviation
My organization is best in providing training program such as class room training, seminars, workshops frequently.	134	3.27	1.258
Because of the knowledge, skills and attitude I received from the training I can accomplish activities more efficiently.	134	3.20	1.175
The training provided by the organization helped me to perform my work quickly and efficiently.	134	3.25	1.140
After training I feel that I am committed for my work I feel a strong sense of belonging to this organization since I acquire the needed skills	134	3.37	1.148
I think that active participation during training has a positive effect on my commitment to the organization and for my work. .	134	3.55	1.073
I can say that after training employees in are working well with their regular activities.	134	3.44	1.080
average training	134	3.35	.921
Valid N (list wise)	134		

Source: own survey, 2021

One of the most important benefits of performance evaluation is that organization can identify the performance gap of employees and look to the better way of filling it in which training is the one. According to Chandra and Saraswathi(2018) through enhancing the knowledge and skill of employees, a good training or coaching course help organizations improve production efficiency that can be expressed in producing more quantity output with less input and cost. Therefore, training can be considered as one of the most import elements in the performance managements system the affects organizational performance positively.

As depicted in the table above the performance training phase of the performance management system was found to be neutral as perceived by the sampled respondents with mean score value of 3.35 (Std. Deviation =. 921) for the various statements of the performance training in overall. This implies that most of the statements were rated as neutral confirming that the performance planning

phase of the performance management system was not performed well. Therefore, the case organization should to improve the performance training practice as required to the achievement of the organizational goals.

Similarly interview respondents also reflected the same feeling of the status of performance tanning practice in the case organization. Though, trainings need to be provided to the respondents based on identified gaps, no as such practice in our organization (one of the interview).

4.3.5 Performance Feedback

Table 4.10: Performance Feedback

Statements	N	Mean	Std. Deviation
My manager gives me fair feedback.	134	3.02	1.173
My manager discusses regularly my job performance with me.	134	3.04	1.188
My organization seems more engaged in providing positive feedback for good performers than criticizing the poor ones.	134	2.89	1.067
The feedbacks we were received by my manager help you to improve your skills, attitudes and performances.	134	3.27	1.125
The feedback I receive agrees with what I have actually achieved.	134	3.25	1.127
My manager communicates with me frequently about my performance.	134	3.07	1.177
The feedback I receive on how I do my job is highly relevant.	134	3.07	1.094
I am satisfied with the way my organization provides me with feedback.	134	2.81	1.077
I always get adequate feedback on my performance.	134	2.78	1.059
Current performance feedback in my organization is fair and unbiased.	134	2.83	1.087
average feedback	134	3.00	.92
Valid N (list wise)	134		

Source: own survey, 2021

Performance feedback is an important mechanism of identifying employee strength and weakness in the past job performance (Bahrija et al.2013). The exchange of performance evaluation based information on the past performance between employees and supervisor leads to improved future overall organizational performance because it help employees and supervisors know their area of strength and weakness strive to improve their performance in the future. The result in this regard

tells us that the that the performance feedback phase of PMS of the case organization was judged as purely neutral by the respondents in the overall for the various statements of the performance feedback with the mean value of 3.00 (Std. Deviation = . 92). Besides all the statements about performance feedback were also rated as neutral as perceived by the respondents. This implies that the performance feedback phase of the PMS was not well practiced in the case organization. As this phase plays a vital role for the successful achievement of the pre-determined organizational goals through improving employees' performance, the organization under study should improve its performance feedback practice.

According to the information obtained from the interview, one of the challenges occurring in the performance process is lack of willingness of managers in providing honest and regular feedback to their employees. Feedback is a positive reinforcement and dialogue between employee and manager which encourages good performance and recognizes areas of improvement. Accordingly the organization should strive to put in place mechanism for assuring data based periodic and honest feedback to employees.

4.3.6 Performance Reward

Table 4.11: Performance Reward

Statements	N	Mean	Std. Deviation
The performance management system in my organization reward good performance and discourage poor performance	134	2.80	1.116
My manager gives me fair feedback based on my performance evaluation.	134	3.10	1.258
The rewards provided by my organization sometimes serve to improve on my Service provision quality.	134	2.90	1.209
My organization influences my productivity by linking the reward on job promotion	134	2.69	1.139
The rewards motivate me to be timely in completing my duties.	134	2.89	1.168
The rewards are varied and satisfactory.	134	2.67	1.194
My level of wage is fair and satisfactory to the degree of my performance.	134	2.51	1.255

Reward opportunities encourage staff to be creative.	134	3.40	1.227
Bonuses increase my performance.	134	3.33	1.243
Appreciation by managers increases my success at work.	134	3.53	1.174
When rewarded I seek for ways of improving the performance of the organization.	134	3.42	1.240
average reward system	134	2.98	.83
Valid N (list wise)	134		

Source: own survey, 2021

Rewarding performance phase is constitute of three activities; namely personnel development, linking to pay and identifying the results or performance (Schneier et al.1987). In broad, reward system can be categorized in to extrinsic and intrinsic reward. The former refers to the monetary reward while the later refers to the non-monetary one. Although, the effect of the two reward system on employees motivation and efficiency vary from organization to organization both are believed to positively influence organizational performance through enhancing employees' productivity. According to Akhtar and khattak(2013) reward system enhances organizational productivity by catalyzing employees' motivation towards striving more in realizing the achievement of organizational goals and objectives. Thus, effective performance reward system expected to influence organizational performance positively.

The descriptive statistics analysis in this regarded indicates that the performance reward practice of the case bank as evaluated with the various statement was perceived by the respondents as neutral with the mean score value of 2.98 (Std. Deviation = .83). In addition all the statements about the practice of performance feedback were also rated as neutral by the same respondents. Therefore, from the finding in the table below one can learn that the performance feedback of the performance management system was not well practiced. As this phase of the performance management system process is vital for motivating employees through appreciating their current performance and make them strive more to perform better in the future thereby contribute much for the successful achievement of the pre designed organizational goals, the case organization in this regard should improve the practice of the performance reward phase of the performance management system.

4.3.7 Organizational Performance

The basic aim of performance management system is to enhance organizational performance through the improvement the performance of individual employees and their contribution towards the achievement of the intended outcome or organizational goals. Therefore, the overall organization performance of organizations is highly depends on how well each phase of the performance management system were practiced.

Table 4.12: Organizational performance

Statements	N	Mean	Std. Deviation
The level of organizational performance after the implementation of PM is high as compared to the beginning.	134	3.23	.949
Performance management system of your organization is clearly defined and ready for implementation.	134	2.98	1.000
It the performance management practices are continuously exercised, the organization performance expected to be enhanced.	134	3.20	1.002
My participation in decision making increases the level of contribution to the overall organizational performance.	134	3.51	.971
I believe in that performance evaluation system helps the organization to improve its overall performance.	134	3.63	1.024
The mission and vision I share with my organization allow me to make the right decision that contributes better organizational performance.	134	3.44	1.044
I understand how my role in practicing performance management can contributes to the overall organizational goals and objectives achievement.	134	3.52	.971
The current level of employee performance is high.	134	3.04	.937
The current level of the decision making process in the organization is highly formal.	134	2.99	.973
The quality of the services in the organization is high as compared with the period before the implementation of PM.	134	3.07	1.027

The ability of the employees to be innovative is high after the implementation of PM.	134	3.14	.990
Average organizational performance.	134	3.23	.74
Valid N (list wise)	134		

Source: own survey, 2021

From the result in the table above one can understand that the organization performance in overall for all statements of the organizational performance as well for each statement revealed to be neutral at the mean value of 3.23 (Std. Deviation = .74). This is expected result, because organizational performance is the outcome of the degree of effectiveness of each stage of the PMS of an organization. In this regard as have been seen before all the phases of the PMS were rated as neutral by the respondents, thus it is not surprising the organizational performance of the case organization to be neutral. Therefore, in order improve the level of the organizational performance; the case organization should to improve the practice of each stage of the PMS.

4.4 Inferential Analysis

Unlike descriptive statistics help researchers to infer about the total population based on sample data. Here correlation analysis is used to examine the type and strength of association between the variables deployed while regression analysis is applied to investigate the effect of the explanatory variables namely performance planning, performance appraisal, performance training, performance feedback and performance reward on the dependent variable called organizational performance.

4.4.1 Correlation Analysis

Here correlation analysis was conducted to understand the direction and magnitude of the association that exists between the variables included in the regression model. Therefore, in this section of the study correlation analysis between the dependent variables and the dependent variables was done using Pearson correlation analysis technique.

Table 4.13: Correlation Analysis

		average performance	average performance appraisal	average performance reward	average feedback	average performance tanning	average organizational
average performance planning	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	134					
average performance appraisal	Pearson Correlation	.642**	1				
	Sig. (2-tailed)	.000					
	N	134	134				
average performance reward system	Pearson Correlation	.644**	.580**	1			
	Sig. (2-tailed)	.000	.000				
	N	134	134	134			
average performance feedback	Pearson Correlation	.625**	.476**	.663**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	134	134	134	134		
average performance tanning	Pearson Correlation	.372**	.404**	.365**	.273**	1	
	Sig. (2-tailed)	.000	.000	.000	.001		
	N	134	134	134	134	134	
average organizational performance	Pearson Correlation	.716**	.639**	.646**	.603**	.482**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	134	134	134	134	134	134

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

Source: own survey, 2021

As presented in the table 4.13 above, the correlation analysis matrix finding revealed that there exist significant positive correlation between the dependent variable and the explanatory variables. Accordingly performance planning was confirmed to have strong and positive association with organizational performance at 1% significant level with correlation coefficient $r = .716$. In the other hand performance appraisal, performance feedback and performance reward have exhibited moderate and positive association with the dependent variable organizational performance with correlation coefficient value of $r = .639$, $r = .646$ and $r = .603$ respectively at 1 %significant level. Performance training in turn found to has positive significant but low association with the dependent variable organization performance at 1% significance level with correlation coefficient value of $r = .482$.

Therefore, from the correlation analysis result one can learn that all the explanatory variables have positive and significant correlation with the dependent variable. Thus, in order to determine the magnitude and dimension the effect of the explanatory variables on the dependent variable conducting regression analysis was also required.

4.4.1 Regression Analysis

The main purpose of this study was to examine the effect of performance management practice on organizational performance, in the case of the Addis Ababa city administration Health bureau. Therefore, In order to examine the effect of the explanatory variables on the dependent variable multiple linear regressions analysis with ordinary least square (OLS) technique was applied. This technique is help to examine the effect of more than one explanatory variable on the dependent variable.

In the regression model, five independent variables namely performance planning, performance appraisal, performance feedback, performance reward and performance training and one dependent variable organizational performance were incorporated. The result of the regression analysis result was presented below as follows;

4.4.1.1 Diagnosis test result

In order to apply OLS (Ordinary Least Square) technique in regression analysis the five assumptions of OLS should be fulfilled otherwise the study finding will be invalid. Therefore, diagnosis tests were performed aiming to avoid invalid results. Accordingly the diagnosis tests

result confirmed that the data deployed in the study has fulfilled all the five assumptions of OLS i.e. the relationship between the dependent and the independent variables is linear, the data is obtained normally distributed population, has no serial correlation, free from heteroscedasticity and free from multicollinearity. The diagnosis test result is presented in the below.

4.4.1.1.1 Linearity

In order to apply a multiple regression with ordinary least square (OLS) the relationship that exists between the dependent variable the independent variable need to be linear. In this study among the various methods of testing linearity scatter plot diagram with line of fit applied to see whether the relationship is linear.

The result of scatter plot diagram with line of fit confirmed that a linear relationship existed between the independent variables and dependent variable.

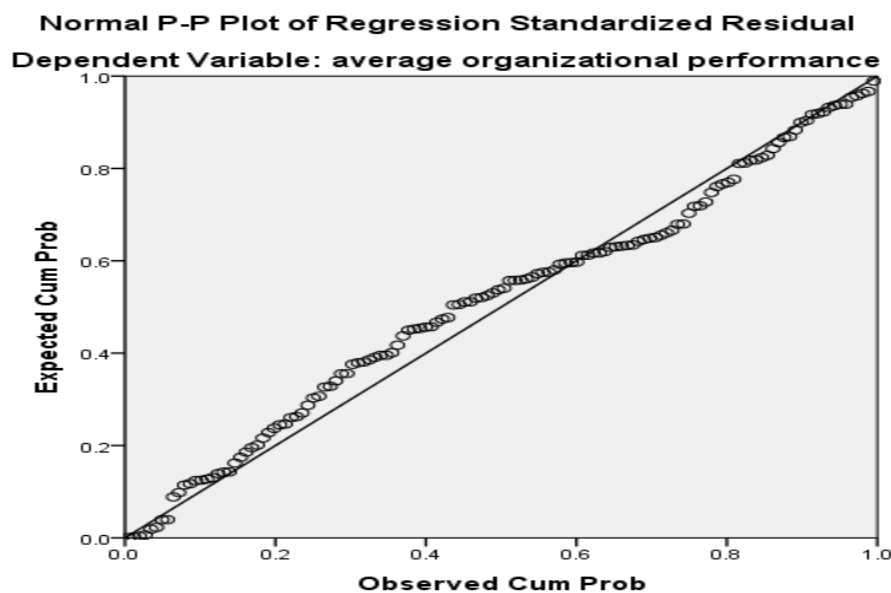


Figure: 4.1: Linearity test result

4.4.1.1.2 Normality

One of the assumptions in multiple regression analysis with ordinary least square (OLS) method is that the sample data is obtained from normally distributed population. This implies that errors are normally distributed, and that a plot of the values of the residuals will approximate a normal curve (Keith, 2006). As it can be seen in the histogram below the data is obtained from normally distributed population.

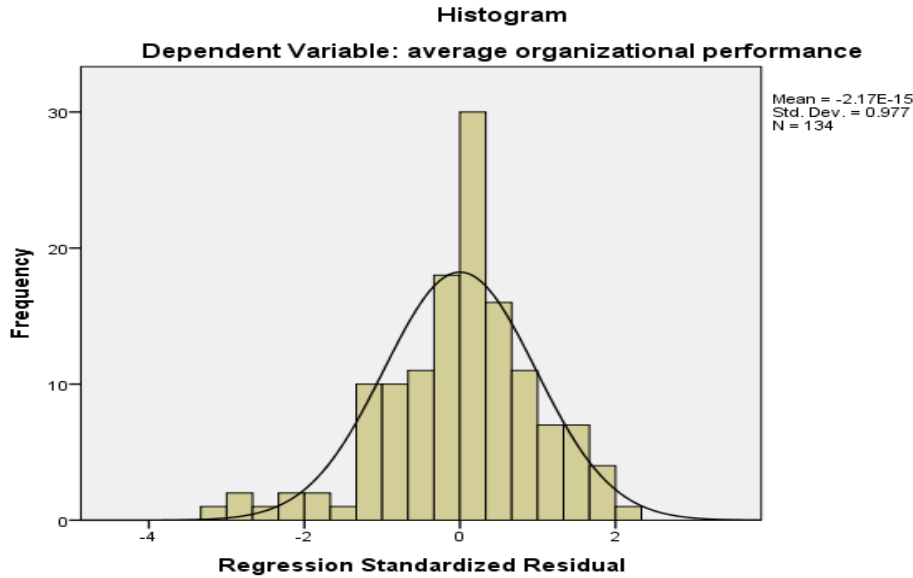


Figure 4.2: Normality test result

4.4.1.1.3 Multicollinearity

The problem of Multicollinearity occurs when two or more variables giving rise of the same piece of information are included in the regression model. In other word, Multicollinearity is the result of unnecessary inclusion of related variables. A collinearity diagnostic test was conducted using the regression analysis. Variance inflation factor (VIF) is commonly used to detect multicollinearity. In general, a VIF greater than 10 indicates a multicollinearity problem. An examination of VIF for variables in our model showed that multicollinearity was not a potential problem.

Table 4 .14: Multicoliniarty test result

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.366	.202		1.816	.072		
	average performonace planinig	.309	.076	.330	4.053	.000	.425	2.355

average performance appraisal	.184	.071	.191	2.588	.011	.520	1.924
average reward system	.136	.072	.153	1.905	.059	.436	2.291
average feedback	.123	.061	.154	2.036	.044	.493	2.027
average training	.147	.048	.184	3.101	.002	.803	1.245
a. Dependent Variable: average organizational performance							

4.4.1.1.4. Homoscedasticity

This assumption tells us that every disturbance has the same variance σ^2 whose value is unknown, that is regardless of their size, the dispersion of the error term (disturbance) is the same. Whenever this assumption is violated we will have the case of heteroscedasticity. Heteroscedasticity often occurs in cross sectional data.

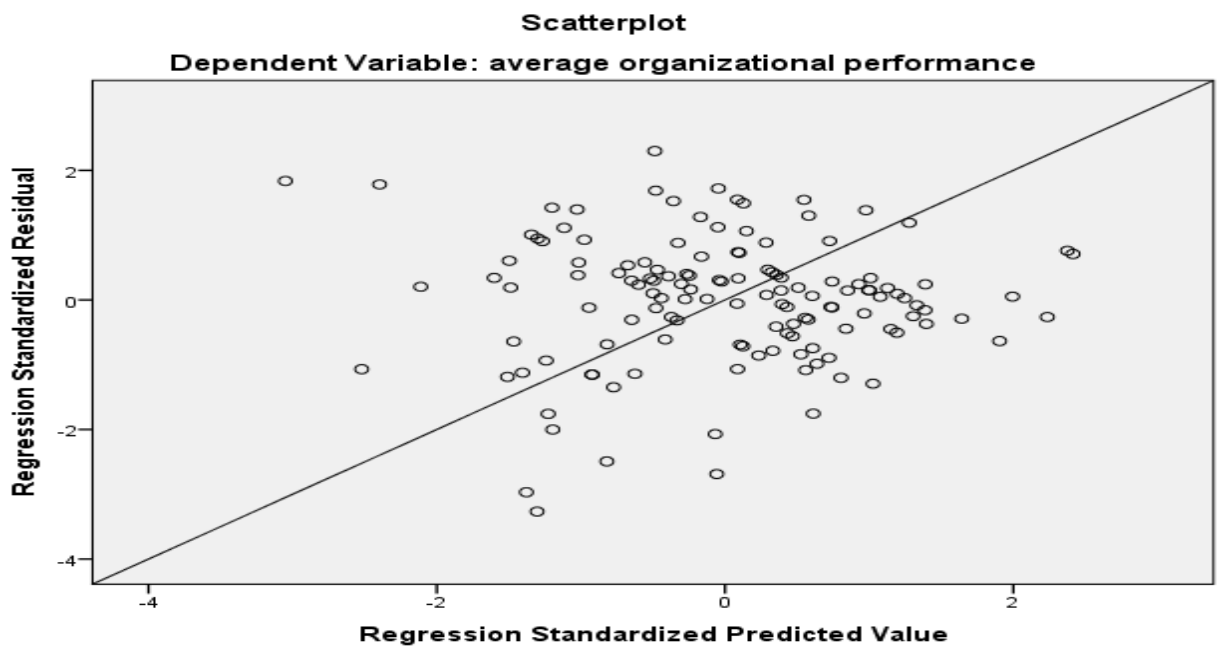


Figure 4.3: Heteroscedasticity test regression

4.4.1.1.5. Autocorrelation

This assumption tells us that the error term at time t is not correlated with the error at any other point of time. This implies that when observations are made over time, the effect of the disturbance

occurring at one period does not carry-over into another period. The assumption of non-autocorrelation is plausible in the case of cross-sectional data. Violation of this assumption frequently occurred in the case of time series data. Durbin-Watson statistic is applied to test the assumption that our residuals are uncorrelated. The value of this statistic can fall in between 0 to 4. For this assumption to be met, the DW value needs to be close to 2. Values below 1 and above 3 are problematic and causes for concern. Therefore the data in this research is free from the problem of autocorrelation since the Durbin-Watson statistic is closer to 2.

As it can be seen in the Figure 4.15 below the standardized residuals are evenly distributed confirming that the data has no heteroscedasticity problem.

Table 4.15: Durbin –Watson statistics for independence of residuals

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.799 ^a	.639	.625	.45270	2.056

- a. Predictors: (Constant), average training, average feedback, average performance appraisal, average reward system, average performance planning.
- b. Dependent Variable: average organizational performance

Source: own survey, 2021

From the above table 4.15, the output value of Durbin-Watson regression coefficient (beta weight) is **2.056**; within the range between 1.50- 2.50 which indicates that there is no serial or severe correlation among the residuals.

As a part of the multiple linear regression analysis the adjusted R-squared value in the model summary was indicated to be 0.625. This implies that the five explanatory variables included in the econometric model explain about 63 percent of the variation in the dependent variable (organizational performance). In other words the remaining 37 % of the variation on the dependent variable is explained by other variables that are not incorporated in this model

4.4.1.2 Summary regression test

As it is clearly stated in the above all the four assumptions namely normality, linearity, multicollinearity, and independence of residuals (Durbin-Watson) tests are to be tested and confirmed they have fit the model to perform the regression analysis.

4.4.1.3 Analysis of Variance

Table 4.16: Analysis of Variance

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	46.407	5	9.281	45.288	.000 ^b
	Residual	26.233	128	.205		
	Total	72.639	133			
a. Dependent Variable: average organizational performance						
b. Predictors: (Constant), average training , average feedback , average performance appraisal, average reward system , average performance planning						

Source: own survey, 2021

According to the analysis of variance (ANOVA) as presented in the table 4.15 above with the F test=45.288 (p-value= 0.000 <1 percent) attested that the model is fit to the data. This implies that the explanatory variables included in the regression model had high predicting power of the effect of the explanatory variable on the dependent variable.

4.4.1.4 The multiple regression analysis result

In order to understand the degree and significance of the effect of each independent variable on the dependent variable multiple regression analysis with ordinary least square (OLS) technique was conducted. The value of the elasticity coefficient or Beta coefficient indicates the magnitude of the effect of each independent variable on the dependent variable while the sign of the beta coefficient indicates the direction of the effect. The P- value indicates the level of significance of the effect of each independent variable on the dependent variable.

Accordingly, the estimated result revealed that all of the explanatory variables except performance reward have statistically significant positive effect on the dependent variable. The result of the regression analysis was presented below.

Table 4.17: the multiple regression analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.366	.202		1.816	.072
	average performance planning	.309	.076	.330	4.053	.000
	average performance appraisal	.184	.071	.191	2.588	.011
	Average performance reward	.136	.072	.153	1.905	.059
	Average performance feedback	.123	.061	.154	2.036	.044
	average performance training	.147	.048	.184	3.101	.002
a. Dependent Variable: average organizational performance						

Source: own survey, 2012

In this regards as depicted in the table 4.16 above among the explanatory variables included in the regression model performance planning was found to have relatively higher positive significant effect on organizational performance in the case of the organization under study with elasticity coefficient ($\beta=.309$) and P-Value= .000. This can be interpreted as, other independent variable remain constant, when performance planning increases by one unit organizational performance will increase by .309. This finding is in line with the result of (Sefani, 2017) which found that performance planning has positive and significant effect on organizational performance with beta value of ($\beta=.130$) and P-Value= .002. But in contradiction with the result of (Panda, 2016) that performance planning has no significant effect on organizational performance. Next to performance planning, performance tanning with β value of .147 and P-Value of .002 revealed to has positive and statistically significant effect on organizational performance at 1 percent significant level. This finding is in agreement with the result of (Panda, 2016) that performance planning has positive and significant effect on organizational performance with beta value of ($\beta=.389$) and P-Value= .000.

Performance appraisal in other hand confirmed to has positive and statistically significant effect at 5 percent significant level on organizational performance with elasticity coefficient ($\beta=.184$) and P-Value of .011. This result is in line with the result of (Panda, 2016) which found that performance appraisal has positive and significant effect on organizational performance with beta value of ($\beta=.260$) and P-Value= .000, but against with the finding of (Sefani, 2017) which found that performance appraisal has negative and significant effect on organizational performance. Finally performance feedback has found to have positive and statistically significant effect with beta value at 5 percent significant level ($\beta=.123$) and P-Value= .049. This result is consistent with the finding of (Panda, 2016) and (Sefani, 2017) which found performance feedback. The only independent variable withy no significant effect on organizational performance in the case organization was performance reward. Accordingly the regression equation with the estimated beta coefficient can be presented as follows;-

$$OP=B+xPP_1+xPA_2+xPF_3+xPT_4+ \epsilon_i$$

$$OP= .366 +.309PP+.184PA+.123PF+.147PT+\epsilon_i$$

In general we can infer that performance planning, training, performance appraisal and performance feedback are the four basic components of the performance management system in the case organization.

Table 4.18 Summery of hypotheses testing

	Hypothesis	Result
H ₁	Performance Planning has positive and statistically significant effect on organizational performance.	Accepted
H ₂	Performance Appraisal has positive and statistically significant effect on organizational performance.	Accepted
H ₃	Tanning has positive and statistically significant effect on organizational performance.	Accepted
H ₄	Performance feedback has positive and statistically significant effect on organizational performance.	Accepted
H ₅	Performance Reward has positive and statistically significant effect on organizational performance	Rejected

Source: own compilation

CHAPTER FIVE

5. Summary of Findings, Conclusion and Recommendation

Summary of the basic findings, conclusion drawn from the study finding and recommendations forwarded by the researcher are presented in this section of the study.

5.1. Summary of the Research Findings

The general objective of this study was to examine the effect of performance management practice on organizational performance in the case of Addis Ababa City regional health bureau. Therefore, the basic findings of the study was summarized and presented in this section of the study.

- The performance management practice of the case organization is not good and not bad. But not sufficient to bring about a better organizational performance that assure the achievement of the identified organizational goals.
- The practice of All the five components of the performance management system namely; performance planning, performance appraisal, performance feedback, performance reward and performance training were also not good and not bad, but not adequate to support the organizational performance to the fullest and help achieve the organizational goals.
- The general organizational performance of the case organization was not performing well to the level that allows the achievement of the intended organizational goals.
- The correlation analysis matrix finding revealed that there exist significant positive correlation between the dependent variable and the explanatory variables.
- Accordingly performance planning was confirmed to have strong and positive association with organizational performance at 1% significant level with correlation coefficient $r = .716$. In the other hand performance appraisal, performance feedback and performance reward have exhibited moderate and positive association with the dependent variable organizational performance with correlation coefficient value of $r = .639$, $r = .646$ and $r = .603$ respectively at 1 %significant level. Performance training in turn found to has positive significant but low association with the dependent variable organization performance at 1% significance level with correlation coefficient value of $r = .482$.
- In this regards among the explanatory variables included in the regression model performance planning was found to have relatively higher positive significant effect on

organizational performance in the case of the organization under study with elasticity coefficient ($\beta=.309$) and P-Value= .000.

- Next to performance planning, performance training with β value of .147 and P-Value of .002 revealed to have positive and statistically significant effect on organizational performance at 1 percent significant level.
- Performance appraisal in other hand confirmed to have positive and statistically significant effect at 5 percent significant level on organizational performance with elasticity coefficient ($\beta=.184$) and P-Value of .011.
- Finally performance feedback has found to have positive and statistically significant effect with beta value at 5 percent significant level ($\beta=.123$) and P-Value= .049.

5.2. Conclusion

The main purpose was to examine the effect of performance management practice on organizational performance in the case of Addis Ababa City regional health bureau. Now a day many organizations across the world regardless of their nature use performance management system to improve the performance of their employees thereby their organizational performance. Therefore, based on the study findings and the discussions on the study findings the following conclusions have been drawn.

- The performance management practice in general and each components of the performance management system was not well performed. Which means though there exists an already in placed PMS, the implementation and practice of the system is not adequate.
- The general organizational performance of the case organization is not adequate and it was found to be average that in turn obviously not at a level to assure the achievement the identified organization goals. As revealed in the study finding the practice of the performance management system in placed in terms of all the five components of the PMS were indicated as average. Therefore, one can conclude that the low level of the organizational performance is due to the low performance of the organization in practicing the performance management.
- Organizational performance of the organization under study showed to have positive and statistically significant association with the five components of the performance management system. This implies that performance management system can improve organizational performance if appropriately implemented and practiced.

- Among the five phases of the performance management system, performance planning, performance appraisal, performance feedback and performance training have positive and significant influence on organizational performance in the case organization. Therefore, PMS is important to improve organizational performance and the above mentioned four components are also important phases in positively influencing organizational performance for the case organization.

5.3. Recommendation

Based on the basic research findings of the study and the discussions the following recommendations were developed by the researcher.

From the study finding performance management system was confirmed to be an important tool in influencing organizational performance positively and significantly. However, although the case organization have the already in placed performance management system but due to the in proper implementation and lack of practicing the system, yet the case organization couldn't improve its organizational performance to the required level. Therefore, the following points are recommended;

- The performance planning stage of the performance management system is the primary most important in positively influencing organizational performance in the case organization. Therefore, the case organization in order to come up with the mutually agreed organizational objective and motivate employees to the achievement of the organizational goals need to participate employees during the performance planning process.
- As the performance appraisal phase of the performance management system is also has a positive significant effect on the organizational performance of the case organization, the case organization should to improve the practice of this phase in a manner help properly evaluating employees' performance and providing feedback to employees by supervisors.
- Performance training as a component of performance management system is one of the most important phase of PMS in the case organization as confirmed from the study finding in affecting organizational performance positively and significantly. Thus, the case organization should improve the practice and implementation of this phase in a way it improve the knowledge, skills and attitude of employees based on the identified gap.

- The other important component of the PMS that influences organization performance of the organization under study positively is performance feedback. Therefore, the case organization need to improve the practice and implementation of this phase in manner that it influence employees motivation and future performance through providing positive feedback for employees good deed and help those who performed poor improve their gap allowing them their gaps based on appropriate evaluation.

5.4 Direction for future research

As there is no research without limitation, this research has its own is limitation. First the research was a case study limited in a single public and non-profit organization. In this regard, interested researchers and practitioners are advised to conduct a research by taking more than one organization both from public and private or organized for profit and non- profit and examine the effect of PMP on their performance. Besides, the contemporary research world is very dynamic. Thus, interested researchers are also better to see beyond the direct cause and effect relationship among variables by including moderating and intermediating variables like organizational politics, organizational policy and government policy, respectively.

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Appendices-1

Addis Ababa University College of Business and Economics

Department of Management

**Questionnaires to be filled by Employees of *Addis Ababa City Administration*
*Health Bureau***

General Instructions:

Dear Respondents: thank you in advance for devoting your precious time to answer my questions. The purpose of this questionnaire is to collect primary data for conducting a study on the topic; *“Effect of performance management practice on the organizational performance: the case of Addis Ababa City Administration Health Bureau.”* Secondly, it is a precondition for the partial fulfillment master's degree of Management at Addis Ababa university college of Business and Economics, Department of Management .This study is purely for academic purpose only and in no ways that affects the respondent’s personality. I also like to assure that your response is confidential and never be passed to the third party. So that, you are genuinely requested to view, to provide frank opinion and timely responses are very valuable in determining the success of the study. Please you are kindly requested to take your time and carefully complete the questionnaire. Don’t write your name on any page of the questionnaire. Only use a “√” mark to indicate your response for items with alternative responses.

If you have any question, please contact me on 09-11-91-23-82

Thank You for your kindly cooperation!

Best Regards,

Meseret Abera,

Part I. General background of Respondents (Demographic information)

1. Sex: Male Female
2. Age: 18-30years 31-40years 41-50years Above 51 years
3. Educational level: Grade 10-12 completed Certificate Diploma
BA/BSc MA/M.Sc. PhD/MD
4. Your current position in the organization under study:
Manager Directorate Coordinator Officer other supportive staff
5. Your work experience at Addis Ababa regional health bureau
Less than a year 1-3years 4-6years 7-10years 11-15 years
above 16 years

Part II. Questions on the effects of Performance Management practice on Organizational Performance

Directions: Rate the degree of your agreement for the statements included in the table below. Use a “√” mark to indicate your answer. (Key to number: 5= strongly Agree, 4= Agree, 3= Undecided, 2=Disagree, 1= strongly disagree)

No		Response Rates				
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
I	Performance Management Practice					
1	I have a clear understanding of performance management process and practice.					
2	My duties and responsibility are clearly defined according to my job description that aligned to the organizational goals and objectives.					
3	It is possible to say that everybody in my organization can clearly understand the organizational mission, strategy and objectives.					
4	The performance management practice in my organization helps employees to set and achieve their objectives.					
5	I have been given a clear and useful orientation or training on performance management practice.					
6	Management regularly communicates in a concise manner the organization mission and objective throughout the organization.					

No		Response Rates				
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
7	My organization has a periodic performance evaluation practice over employees' performance towards the achievement of the overall organizational goals.					
8	My supervisors always give me feedback on my performance based on performance evaluation result.					
9	My organization provides employees with trainings based on the gap identified in the evaluation process.					
10	My organization rewards employees according to their degree of contribution/performance towards the organizational achievement.					
II	Performance Planning					
11	The consultation process in the development of the performance management system is highly appropriate.					
12	The performance management practices of the organization is participatory that lead everybody to participate during planning, execution and assessment.					
13	Participating in the planning process motivates me highly to perform towards achieving the goal set by the organization.					
14	Discussions takes place between manager and individual on what the latter needs to do to achieve the agreed goals, raise standards, improve performance, etc.,					
15	You were given a chance to take part in the development plan set aside in the last performance period.					
16	Everybody in your organization need to be aware as the performance planning is a one of the components of the performance management system of the organization.					
17	Objectives set during the performance planning stage are mutually agreed and understood between employee and a manager.					
III	Performance Appraisal					
18	Performance appraisal makes me work harder than expected.					

No		Response Rates				
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
19	If don't agree with performance appraisal score, there is appeal process.					
20	Performance appraisal makes me better understand what I am doing and what I should do.					
21	Performance appraisal is used as a decision making tool for the increasing my performance.					
22	Performance appraisal influences positively individual performance.					
23	Performance appraisal practice is valuable to enhance my performance in organization.					
24	Am satisfied with the current performance appraisal system in the organization.					
IV	Reward Systems					
25	The performance management system in my organization reward good performance and discourage poor performance					
26	My manager gives me fair feedback based on my performance evaluation.					
27	The rewards provided by my organization sometimes serve to improve on my Service provision quality.					
28	My organization influences my productivity by linking the reward on job promotion.					
29	The rewards motivate me to be timely in completing my duties.					
30	The rewards are varied and satisfactory.					
31	My level of wage is fair and satisfactory to the degree of my performance.					
32	Reward opportunities encourage staff to be creative.					
33	Bonuses increase my performance.					
34	Appreciation by managers increases my success at work.					
35	When rewarded I seek for ways of improving the performance of the organization.					
V	Feedback					
36	My manager gives me fair feedback.					

No		Response Rates				
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
37	My manager discusses regularly my job performance with me.					
38	My organization seems more engaged in providing positive feedback for good performers than criticizing the poor ones.					
39	The feedbacks we were received by your manager help to improve your skills, attitudes and performances.					
40	The feedback I receive agrees with what I have actually achieved.					
41	My manager communicates with me frequently about my performance.					
42	The feedback I receive on how I do my job is highly relevant.					
43	I am satisfied with the way my organization provides me with feedback.					
44	I always get adequate feedback on my performance.					
45	Current performance feedback in my organization is fair and unbiased.					
VI	Training					
46	My organization is best in providing training program such as class room training, seminars, workshops frequently.					
47	Because of the knowledge, skills and attitude I received from the training I can accomplish activities more efficiently.					
48	The training provided by the organization helped me to perform my work quickly and efficiently.					
49	After training I feel that I am committed for my work I feel a strong sense of belonging to this organization since I acquire the needed skills					
50	I think that active participation during training has a positive effect on my commitment to the organization and for my work. .					
51	I can say that after training employees in are working well with their regular activities.					
VII	Organizational performance					
52	The level of organizational performance after the implementation of					

No		Response Rates				
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
	performance management is high as compared to the beginning.					
53	Performance management system of your organization is clearly defined and ready for implementation.					
54	It the performance management practices are continuously exercised, the organization performance expected to be enhanced.					
55	My participation in decision making increases the level of contribution to the overall organizational performance.					
56	I believe in that performance evaluation system helps the organization to improve its overall performance.					
57	The mission and vision I share with my organization allow me to make the right decision that contributes better organizational performance					
58	I understand how my role in practicing performance management can contributes to the overall organizational goals and objectives achievement.					
59	The current level of employee performance is high.					
60	The current level of the decision making process in the organization is highly formal.					
61	The quality of the services in the organization is high as compared with the period before the implementation of performance management.					
62	The ability of the employees to be innovative is high after the implementation of performance management.					

Part III Interview

Some questions on the Performance Management System:

- 1) How would you describe the Performance Management system of your organization?
- 2) What is the main intention of the performance management in your organization?
- 3) Would you explain the way that the performance management system of the organization communicated to employees at all level (at organizational, departmental and individual level)?
- 4) How frequently are performance evaluations conducted for employees?
- 5) How organizational vision, mission and goals are communicated and created clear awareness from top to down at individual worker level?
- 6) Do you think that the organizational goal is well aligned with the individual employee and departmental goals in the performance management system in your organization?
- 7) Do you believe that the current practice of the Performance Management is in accordance with the designed system?
- 8) Do you think that the Performance Management system is contributing for the continuous development of the Organization?
- 9) Do you assess the performance of your organization periodically? If so, is the system well serving to meet the objective of AARHB?
- 10) Does performance planning discussion include a consideration of results, behaviors and development plans?
- 11) Does the appraisal program require that employee receives a progressive review or feedback on their performance based?
- 12) Any gaps you observed in your organizational performance management practices?
- 13) Any suggestion to improve performance management practice of the AARHB?