

**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE**



**THE EFFECT OF PERFORMANCE MANAGEMENT
SYSTEM ON EMPLOYEE PERFORMANCE: THE CASE
OF ETHIOPIA FAMILY HEALTH INTERNATIONAL
(FHI360)**

BY

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**APRIL, 2021
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DECLARATION

I, **LEYOUWERK ELIAS DESALEGN** declare that this thesis is my original work and that all sources of the materials in the research paper have been duly acknowledged. The matter embodied in this research paper has not been submitted earlier for award of any master's degree best of my knowledge and belief.

Name

Sign

April 2021

Date

I, -----, confirm that this research project has been submitted for examination with my approval as the University Supervisor.

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ABBREVIATIONS

FHI	Family Health International
FP	Family Planning
FMOH	Federal Ministry of Health
GERD	Getting Explanation on Rating Decisions
HR	Human Resource
JFA-PFE	Justice for All Prison Fellowship Ethiopia
KPIs	Key Performance Indicators
M&E	Monitoring and Evaluation
NPMO	Non-Profit-Making Organization
SHRM	Society for Human Resource Management
USAID	United States Agency for International Development

GLOSSARY

Ethiopia FHI 360	Charitable organization spent its career helping NGOs implement effective and compliant USAID-funded programs.
Ethiopia FHI 360 PROGRESS project/ CVS project	It is the project providing support to the Federal Ministry of Health (FMOH) to enhance family planning (FP) monitoring and evaluation (M&E) in data collection and data utilization for decision making.

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ABSTRACT

The study was conducted to investigate the effect of performance management system on employee performance in Ethiopia FHI 360. To achieve the research objectives cross-sectional research design was applied. Target populations for this study were staffs into Ethiopia FHI 360. The sample size drawn was 147. In this study systematic random sampling was used to select samples. Data for the study were gathered through questionnaire survey. Descriptive, causal research method and correlation coefficient used to investigate the relationship between variables. The study concluded that PMS has influence on employee performance. The correlation between performance planning, performance-based reward system, performance-oriented training system and performance feedback and employee performance was positive, while there was negative correlation between employee performance and performance appraisal. The study recommended for the PMS to be effective in improving employee performance the project need to pay attention to performance-oriented training system, performance-based reward system and performance feedback.

Key words: *employee performance, performance appraisal, performance-based reward system, performance-oriented training system & performance feedback*

CHAPTER ONE

INTRODUCTION

The thesis aims at to investigate the effect of performance management system on employee performance in Ethiopia FHI 360. And this chapter deals with the contextual background, statement of the problem, questions, objectives, significance of the research which helps the whole study as a framework of the study.

1.1. Background of the study

Employee performance is crucial for an industry or organization (Shamsuzzoha & Shumon , 2013). From the very beginning performance means the process where employees with their engagement of knowledge and skills perform the work through the realization of their objectives effectively (Osmania & Maliqi, 2012). And employee performance refers to how your workers behave in the workplace and how well they perform.

For an individual employee, performance may refer to work effectiveness, quality and efficiency at the task level (Shaikh, Tunio, & Shah, 2017). Your salesperson, for example, may be expected to complete a certain quota of calls to potential leads per hour with a specific portion of those resulting in closed sales.

On the other hand, a production worker may have performance requirements for product quality and hourly output. Employee performance is also recognized as job performance of an employee at workplace.

On the other there are several issues on which employee performance of an organization mostly depends upon (Asamnew , 2019). Especially according to Qureshi, Shahjehan, Rehman &Afsar (2010) an increasing number of profit and non-profit organization need to achieve better results and better psychosomatic outputs.

In addition, many of them are now operating in pressurized competitive environments than heretofore (ying , 2012).

So, to materialize the aforementioned objectives (better results and better psychosomatic outputs) employee performance inevitably depends up on performance management. Armstrong and Baron (1999) defined Performance Management as a strategic and integrated approach to delivering sustained success to organization by improving the performance of the employees by developing the capabilities and increasing their contributions (Junejo, Umrani, & Raza, 2010). Basically, performance assessment has a long history based on comparative judgments of human worth. According to Koontz (1971), the emperors of the Wei Dynasty (AD 221-265) in China had an 'Imperial Rater' whose task was to evaluate the performance of the official family.

Centuries later, Ignatius Loyola (1491-1556) established a system for formal rating of the members of the Society of Jesus. A revised form of results-oriented performance appraisal emerged in the 1970s, which still exists today (Jain & Gautam, 2014). So, the term performance management was first used in 1970s, but it was not known as a recognized process until the latter half of 1980s.

Any way in the early part of the 19th century, for example, Robert Owen used colored wooden cubes, hung above workstations, to indicate the performance of individual employees at his New Lanark cotton mills in Scotland. Various merit ratings were represented by different colored cubes which were changed to indicate improvement or decline in employee performance (Bae, 2006).

Performance management also includes various types or system. Performance management system is a kind of performance management forms (ying , 2012). It is 'a strategic and integrated approach of conveying continued success to the organizations by developing the people in a way that improves group and personal performance' (Osmania & Maliqi , 2012).

Basically, according to Junejo, Umrani, & Raza (2010) performance management does not only evaluate the employees' performances but achieve organizational goals through improving employee performance, employee development, employee engagement and retaining them.

Especially, this day without a guarantee of quality within the philanthropic organizations there is no service and therefore there is no recognition of the organizations and their resilient beneficiaries (Waal & Goedegebuure, 2011).

So, some of these larger non-profit organizations are employing a systematic management and assessment procedures to monitor performance against objectives, and to ensure achievement of quality outputs and quality improvements (Greiling, 2007). Among these organizations Ethiopia FHI 360 particularly Ethiopia FHI 360 PROGRESS project/ AT & CVC projects is cited many times by literatures (Ethiopia FHI 360 PROGRESS Project, 2017). Ethiopia FHI 360 is a charitable organization spent its career helping NGOs implement effective and compliant USAID-funded programs (USAID, FHI 360 & MSI, 2010).

FHI 360 PROGRESS project/ AT & CVC projects was launched by FHI 360 to enhance monitoring and evaluation in family planning data collection and utilization (USAID and FHI 360, 2017). FHI 360 PROGRESS project provides support to the Federal Ministry of Health (FMOH) to enhance family planning (FP) monitoring and evaluation (M&E) in data collection and data utilization for decision making. According to USAID and FHI 360 (2017) currently FHI 360 project is staffed by 240 employees and has 41 centers in Amhara, Afar, Oromia, Somali, Southern Nations Nationalities People and Tigray regions.

Basically, performance management represents possibly the greatest opportunity for a human resource (HR) system to make a telling contribution to employee performance. The implementation of a performance management system may be seen as an instrument which signals competence by conforming to what is regarded as behavior which is up to a professional management standard (Bae, 2006).

In addition, PMS represents a system that can inform how the firm's human resources contribute to the organization's strategic objectives. In philanthropic organizations unfortunately the extent to which PMS is an effective and useful system in practice remains open to question (Bates-Vulcheff, 2000). So, this study was aimed to investigate the effect of performance management system on employee performance in Ethiopia FHI 360 project.

1.2. Statement of the Problem

Indeed, philanthropic organizations are facing a myriad of challenges including a guarantee of quality (Waal & Goedegebuure, 2011). Consequently, some of these larger non-profit organizations had adopted performance management systems in order to improve employee performance. However, still they are challenged by a rewards-driven approach to performance management which is not sustainable for most of the organizations.

On the other knowledge-based economy has gradually shifted PMS towards promoting the learning and development of the work environment (Greiling, 2007). Actually, such perceptible change in performance management was more evident in organizations worldwide from the 1980s. At this point of time, it is necessary to think also in the direction of optimum utilization of human resources.

In addition, there should be an expected difference in terms of performance between organizations that have robust PMSs and those that don't. And this begs the question whether the existence of PMSs in an organization automatically makes its employees productive and perform well. (Wairimu, 2015)

In align with these empirical literatures are not silent. For instance, in reference to Assorted ways Limited Wairimu (2015) researched about the relationship between performance management systems and employee performance. According to Wairimu (2015) performance appraisal system was found to have a linearly significant influence on the employee performance. In addition, performance reward system was found to have a linearly significant influence on the employee performance. (Wairimu, 2015) Moreover, performance contract system was found to have a linearly significant influence on the employee performance.

In reference to Commercial Banks in Turkana County Kibichii, Kiptum, & Chege (2016) also conducted the study on the effects of performance management process on employee productivity. Kibichii, Kiptum, & Chege (2016) revealed that there is a significant association between reward system and employee productivity.

In addition, there is a significant association between employee training and development and employee productivity. (Kibichii, Kiptum, & Chege , 2016) Moreover, there is statistically significant association between performance appraisal systems and employee productivity.

Particularly to Justice for All-Prison Fellowship Ethiopia (JFA-PFE) Meklit (2017) also researched about the effect of performance management system on employee performance. The scholar revealed that there is a weak positive correlation between performance planning and employment performance. (Meklit , 2017)

In addition, the finding unveiled that performance feedback and employee's performance are positivity and moderately correlated. Further, performance feedback has significant relation with employee's performance. According to Meklit (2017) performance planning also has significant and positive relationship with employee performance. Meanwhile, there is not significant correlation between employee's performance and performance appraisal. (Meklit , 2017)

In nation-wide context even though the aforementioned study reported interesting results, the findings seem somehow spurious and illusory, because reported results were suffered from, at least with acute shortcomings: parsimony, rationality problems and external validity threats. For instance, some variables of PMS were not incorporated.

Kumar (2015) and Wairimu (2015) acknowledged variables such as performance-oriented training system, goal-oriented systems, justice perception by individuals and individual competence review as part of PMS and independent variables. Meanwhile, these variables were not considered in the case of Meklit (2017) study. It is time to give emphasis on building upon the methodology and findings of some previous studies in the area of PMS and employee performance by conducting statistical test of significance which adds statistical validity and flavor to previous findings.

Therefore, considering the noted gap, this study was interested to investigate the effect of performance management system on employee performance in Ethiopia FHI 360 project.

1.3. Research Questions

1. Is there significant relationship between performance-based reward system and employee performance?
2. Is there significant relationship between performance-oriented training system & employee performance?
3. Is there significant relationship between performance appraisal and employee performance?
4. Is there significant relationship between performance planning and employee performance?
5. Is there significant relationship between performance feedback and employee performance?

1.4. Objective of the study

1.4.1. General objective

The main objective of the study was to investigate the effect of performance management system on employee performance in Ethiopia FHI 360 project.

1.4.2. Specific objective

1. Investigate the relationship between performance-based reward system and employee performance?
2. Examine relationship between performance-oriented training system and employee performance?
3. Investigate the relationship between performance appraisal & employee performance?
4. Explore the relationship between performance planning and employee performance
5. To identify the relationship between performance feedback and employee performance

1.5. Hypothesis

As defined by Leedy and Ormrod (2010) “a hypothesis is a logical supposition, reasonable guess, an educated conjecture” (Belay , 2011). The research hypotheses are tentative propositions identified to guide the investigation of the problem/sub problems.

They also mentioned that because we never really prove the hypotheses, null hypothesis is formed that takes there will no differences between groups, no consistent relationships between variables or no patterns in the data. It is often symbolized as

1. H_1 = performance-based reward system has significant effect on employee performance
2. H_2 = performance-oriented training system has significant effect on employee performance
3. H_3 = performance appraisal has significant effect on employee performance
4. H_4 = performance planning has significant effect on employee performance
5. H_5 = performance feedback has significant effect on employee performance

1.6. Significance of the study

It is believed that this paper contributed to the body of existing knowledge and as well make up for the paucity of scholarly paper in Ethiopia on performance management and employee performance. The quest for investigate the effect of performance management system on employee performance was high on the priority list for the Ethiopia FHI 360 project.

So, this study is important to bridge this gap for instance ‘Ethiopia FHI 360 project would be well informed about whether the existence of PMSs in the project automatically makes its employees productive and perform well or not. The study also would serve as the source of empirical literature review to the researcher in the future.

1.7. Scope of the study

The scope of this study was restricted to the particular topical and spatial areas. Topical approach of the study was limited to see the relationship between performance-based reward system, performance-oriented training system, performance appraisal, performance planning & performance feedback & employee performance.

Having objective of investigating the effect of performance management system on employee performance, the spatial scope of the study was delimited to ‘Ethiopia FHI 360 project. Besides, the study covered the time period July 2020 to April, 2021.

This study used cross-sectional survey research design to study and describe the association between performance management system and employee performance. The unit of observation of the study comprised project.

1.8. Operational Definition of Terms

Performance management system: operationally to define this term for the consumption of this study the researcher used the definition given by Tripathi and Agrawal (2014) i.e., PMS is the process of decision making used by organizations through collection, analysis and monitoring of information related to employee performance. (Ziyaminyana & Pwaka, 2019)

Employee performance: operationally to define this term for the consumption of this study the researcher used the definition given by Mathis & Jackson (2009) i.e., it is the ability of any person (efficiency, planning the work, creativity and innovation & making efforts) to accomplish its targets and goals as well as fulfilling the anticipations of his/her directors or completing the organizational goals followed by the top management.

Performance Feedback: operationally to define this term for the consumption of this study the researcher used the definition given by (Mengistu, 2018) i.e., it is a continuous and evolutionary process in which performance improves overtime

Performance Appraisal: According to Bowman (2003) it is a system of evaluating and examining the behavior of the employees in comparison to the standards that have been put in place by the organization. (Wairimu, 2015)

1.9. Organization of the study

This proposal is organized in to three chapters. Chapter one is dedicated for introduction. Under this chapter, background of the study, statement of the problem, objective of the study, scope of the study and limitation of the study are discussed. Chapter two encompasses review of related literature. This chapter embarks on reviewing theoretical and empirical literatures. Under theoretical review the study reviewed on such topics as conceptual definitions on performance management, performance management system, performance appraisal and employee performance and theories on the relationship between PMS and employee performance.

In addition, under empirical review the study reviewed such topics as empirical evidence on the effect of PMS on employee performance. The study led towards synthesis of review.

The study led towards synthesis of review. Chapter three deals with research methodology including research approach and design, sample size and sampling techniques, research subjects (respondents), data collection instruments and method of data analyses.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Introduction

This chapter embarks on reviewing theoretical and empirical literatures. Under theoretical review the study reviewed on such topics as conceptual definitions on performance management, performance management system, performance appraisal and employee performance and theories on the relationship between PMS and employee performance. In addition, under empirical review the study reviewed such topics as empirical evidence on the effect of PMS on employee performance. The study led towards synthesis of review.

2.2. Theoretical Review

2.2.1. Conceptual Review

2.2.1.1. *Performance Management*

According to Armstrong and Baron (1999) performance Management is a strategic and integrated approach to delivering sustained success to organization by improving the performance of the employees by developing the capabilities and increasing their contributions (Junejo, Umrani, & Raza, 2010). Bredrup and Bredrup (1995) sees performance management as comprising three main processes – planning, improving and reviewing. Of course, these three processes could be taken as applying to the management of performance at individual level also.

Brudan (2010) opined that performance management is a ubiquitous term in today's business environment due to being embedded in the body of knowledge of various disciplines and being used at all levels of the organization. Performance management is a process by which organizations set goals, determine standards, assign work and evaluate it, and at the same time distribute rewards (Samwel, 2018).

Briscoe and Claus (2008) concurred that performance management is the system through which organization set work goals, determine performance standards, assign and evaluate employee's work, provide feedback to employees, determine training and development needs and distribute rewards to employees (Ziyaminyana & Pwaka, 2019). Performance management is a process that enables employees to perform their roles to the best of their abilities with the aim of achieving or exceeding established targets and standards that are directly linked with the organization's objectives (Chandra G & Saraswathi, 2018).

Guinn (1987) and Ainsworth & Smith (1993) have proposed a three-step cycle: performance planning; assessment of performance; and corrective and adaptive mutual action via mutual feedback discussions. (Kumar, 2015) Torrington and Hall (1995) also likewise have three stages: planning, supporting and re-viewing performance.

It is a means of getting better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and attribute/competence requirements. (Mustafa , 2013) An approach to managing and developing people in a way which increases the probability that it will be achieved in the short and longer term.

2.2.1.2. Performance Management System

According to Boselie, Dietz and Boon (2015), performance management systems can be described as formal, information-based routines and procedures used by managers to maintain or change in the activities of an organization (Mbise , 2014).

Performance management system is also described by Tripathi and Agrawal (2014) as the process of decision making used by organizations through collection, analysis and monitoring of information related to employee performance (Ziyaminyana & Pwaka, 2019).

Performance management system is the systematic evaluation of the strengths and weakness of an employee in the company about his/her job. (Bheemanathini , Srinivasan , & Jayaraman , 2019)

2.2.1.3. Performance Appraisal

Performance appraisal is a tool used by the organization to review and evaluate the performance of employees over a certain period of time. Aforo & Antwi, (2012) postulated that performance appraisal system is comprised of setting goals, communicating feedback, participation and incentives for employee's performance (Samwel, 2018).

Fletcher (2004) disclosed that performance appraisal remains the primary way of discussing and acting on the development of the individual. Brown et al. (2010) insisted that performance appraisal is designed to stimulate employee performance as well as organizational performance (Junejo, Umrani, & Raza, 2010).

Performance appraisal is also a systematic way of reviewing and assessing the performance of an employee during a given period of time and planning for his future. Moreover, it is a systematic process of appraising an employee's current and past performance relative to his/her performance parameters (Osmania & Maliqi , 2012).

According to Qureshi, Shahjehan, Rehman & Afsar (2010) performance Appraisal is one of the oldest, natural and most universal practices of Management. The basic purpose of Performance Appraisal is to ascertain the behavior of an employee anchored to performance and integrate with the organizational performance (Chandra G & Saraswathi, 2018)

According to Carrol & Scheider (2012) performance appraisal has been described as "the process of identifying, observing, measuring, and developing employee performance in organization". This definition is very important, because it comprises all important components needed for the well-performed appraisal process. Identification criteria orientate the appraisal process to the determination of what has to be examined and the performance related criteria.

2.2.1.4. Employee Performance

Performance is usually depicted as desired results, behaviors, attitudes, or traits. Some argue that performance refers to the final result as what gets accomplished (Bae, 2006). Others argue that performance has to do with the behaviors people exhibit in the course of producing results and with their basic competence or ability to perform various aspects of the job.

Performance is a multicomponent concept and on the fundamental level one can distinguish the process aspect of performance, that is, behavioral engagements from an expected outcome (Pradhan & Jena, 2016).

According to Kozlowski, Gully, Nason, & Smith (1999) in fact, human performance is a complex phenomenon incorporating process as well as outcome aspects. Employee performance is the ability of any person to accomplish its targets and goals as well as fulfilling the anticipations of his directors or completing the organizational goals followed by the top management (Shaikh, Tunio, & Shah, 2017).

Employee performance is originally what an employee does or does not do (ying , 2012). According to (Al Mehrzi and Singh, 2016) Performance is the result or level of success of a person as a whole during a certain period in carrying out tasks compared to various possibilities, such as work standards, targets or targets or predetermined criteria that have been mutually agreed upon.

Performance management is the entire activity carried out to improve the performance of a company or organization, including the performance of each individual and work group in the company. According to Shmailan, 2016, employee performance is an action what employees do in carrying out the work done by the company. (Hermina & Yosepha, 2019)

2.2.2. Types of Employee Performance

Sanderson et al. (2009) argue that employee performance fall under two distinct categories: they include elevated performance and standard performance. In this case elevated performance comes from the individual employees “discretionary effort” that sees them going an extra mile due to their commitment to the organization or the team and its objectives and missions. (Kibichii, Kiptum, & Chege , 2016)

Standard performance consists of the typical level of output that an employee delivers in their normal course of fulfilling their duties. Basically, employees are a primary source of competitive advantage in service-oriented organizations. Actually, performance of employees could include: quantity of output, quality of output, timeliness of output, presence at work, cooperativeness. It is also recognized as job performance of an employee at workplace. It is thought as an essential component in the organizational success (Mbise , 2014).

2.2.3. PMS in Non-Profit Making Organization

Drucker (1990) indicates that non-profit organizations are different from profit-making organizations in that they have many constituencies. (Taylor & Francis, 2016) Non-profit organizations' constituencies include customers, boards of directors, funders, taxpayers, the family members of customers, community leadership, etc. According to Drucker (1990) this focus on multiple constituencies can lead the non-profit organization to focus on the constituencies and the hierarchy used to provide service to the various constituencies and not on true performance issues. (Bates-Vulcheff, 2000)

The key, then, in creating a performance management system in a non-profit organization is to ensure that performance, both individual employee and organization, has been clearly defined.

So, according to Akingbola (2015) similar to the for-profit context, a variety of functions of performance management systems in nonprofit organizations have been identified, such as the translation of organizational goals to individual activities, evaluation of employee engagement, legal mitigation, job design, and career planning. Pynes (2013) further added strategic decision making on employee promotion, development and training, compensation, and retention or separation. (Taylor & Francis, 2016)

2.2.4. Theories on the Relationship between PMS and Employee Performance

In this study the following theories i.e., expectancy theory and goal setting theory are reviewed to better understand the effect of PMS on employee performance. According to Aguinis (2009b) and Den Hartog et al. (2004) despite the known merits of performance management systems including appraisals, the extent of which these systems are implemented in nonprofit organizations varies widely. In addition, the mere existence of performance management systems might not be sufficient to increase employee performance.

From the very beginning Abdul (2011) asserts that an employee is considered as the major element of every firm and their success and failure is mainly based on their performance. (Wairimu, 2015) Dechev (2010) explains that people want to fulfill some of their needs through performing work activities that provide them with a supportive environment.

So, Mahapatro (2010) advised that successful appraisal methods should have clearly defined and explicitly communicated standards or expectations of employee performance on the job. In addition, employees also need to do meaningful tasks, share the objective setting, and share the rewards of their efforts and continued personal growth.

In addition, Kanfer (2010) states that employees are constantly involved in a social exchange process wherein they offer service in exchange for rewards. They also associate the energy or contribution that they put in towards accomplishing a certain task and acquiring rewards in exchange for productivity. (Kibichii, Kiptum, & Chege , 2016)

Moreover, a system of performance management will not succeed in bringing about high performance against objectives unless employees consciously act in ways seen as being most likely to achieve the objectives.

Expectancy theory and goal-setting theory both emphasize the importance of ensuring that employees make this decision, but each takes a different route in describing what causes this to be made.

Goal setting theory had been proposed by Edwin Locke in the year 1968. This theory suggests that the individual goals established by an employee play an important role in motivating him for superior performance. This theory was proposed by Victor Vroom in 1964.

In addition, expectancy theory specifies the need to tie performance outcomes to rewards which are valued by employees of the goals per se, so that motivation is more intrinsically based. (Meklit , 2017)

In addition, expectancy theory, coined by Victor (1964), is based on the hypothesis that individuals adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them. (Mulwa & Weru, 2017)

The individuals modify their behavior in such a way which is most likely to lead them to attain these goals.

According to Salaman et al (2005) this theory underlies the concept of performance management as it is believed that performance is influenced by the expectations concerning future events. If these goals are not achieved, they either improve their performance or modify the goals and make them more. According to Salaman et al (2005) in case the performance improves it will result in achievement of the performance management system aims.

So, according to Roberts (2003) participative performance management systems that - by design - offer opportunities for regular feedback and ensure employee ownership in the evaluation of their performance, are more effective in attaining improved organizational performance. (Bae, 2006)

Hence, Twomey & Feuerbach Twomey (1992) advised that it is necessary to examine the effect of performance management systems on employee performance. Let us detail in the influence of different variables of PMS on employee performance.

2.2.4.1. The Influence of Reward System on Employee Performance

Every employee could suggest anyone they saw worthy of recognition. Top employees were rewarded with certificates and they really felt appreciated. According to Gyurcik Brawley (2000) in the experience of a „recognized“ employee “to be recognized formally gave me extra motivation and made me wonder what i could do to keep the momentum going” (Kibichii, Kiptum, & Chege , 2016)

Actually, an effective reward program may have three components: immediate, short-term and long term. According to Schoeffler (2005) this implies instantaneous recognition of a good performance, short- term rewards for performance could be offered monthly or quarterly and long- term rewards are given for having been loyal over the years. (Hermina & Yosepha, 2019)

Long-term rewards are awarded to employees who have been performing well. Such an employee will become loyal to his or her organization and it reduces employee turnover. Long term rewards may comprise of being made partner, or monetary reimbursements that mature after many years of service or at retirement. (Bates-Vulcheff, 2000)

2.2.4.2. The Influence of performance Appraisal on Employee Performance

Derven (2010) and Mullins (2009) suggest that performance appraisal can help the organization to identify the talented employees and future leaders in the company. (Junejo, Umrani, & Raza, 2010)

Performance appraisal could be an effective source of management information, given to employees. According to Malcolm and Jackson (2002) there are three main groups of purposes: performance reviews, potential reviews and reward reviews. In Performance reviews, the managers discuss with employees the progress in their current positions, their strengths and areas requiring further development. (Mulwa & Weru, 2017)

In regards to the potential reviews, the discussion is on the employees' opportunities for progression, and the type of work they will be fitted for in the future and how this can be achieved. In relation to the reward reviews, the discussion is separate but linked to the appraisal system. Malcolm and Jackson (2002) outline four different benefits for the organization. These are targeted training approach based on identified needs, future employee promotion decisions, effective bases for reward decisions and improved retention of employees. (Shaikh, Tunio, & Shah, 2017)

2.2.4.3. The Influence of performance Appraisal on Employee Performance

Basically, the purpose of training and development is to play a part in organization's overall goal. Skill gaps at the present still remains critical area of human resource development for organizations to endlessly penetrate the market. Skill gaps fundamentally jeopardize the productivity and competitiveness both in organizational and operational levels thus compels the human resource management (Kibichii, Kiptum, & Chege , 2016)

Training and development are designed learning occurrences which educate employees on how to act upon current and future jobs more effectively. Sims (2002) accentuates that training focuses on present jobs while development groom employees for future potential jobs opportunities.

2.2.4.4. The influence of performance planning on Employee Performance

According to Aguinis (2009) performance planning refers to the plan for the performance appraisal that span the steps from early setting objectives to detailed methods of measuring performance against these objectives that requires also the agreement between managers and individual employees. If the planning process was participatory in turn results in positive effect on employee performance. (Aguinis , 2009) Actually, these objectives may have been cascaded down from the strategic objectives of the organization to achieve alignment, but in practice this may be difficult to achieve.

2.3. Review of Empirical Studies

2.3.1. Empirical Evidence on the Effect of PMS on Employee Performance

In reference to Assorted ways Limited Wairimu (2015) researched about the relationship between performance management systems and employee performance. According to Wairimu (2015) performance appraisal system was found to have a linearly significant influence on the employee performance. In addition, performance reward system was found to have a linearly significant influence on the employee performance. (Wairimu, 2015) Moreover, performance contract system was found to have a linearly significant influence on the employee performance.

In reference to Commercial Banks in Turkana County Kibichii, Kiptum, & Chege (2016) also conducted the study on the effects of performance management process on employee productivity. Kibichii, Kiptum, & Chege (2016) revealed that there is a significant association between reward system and employee productivity. In addition, there is a significant association between employee training and development and employee productivity. (Kibichii, Kiptum, & Chege , 2016) Moreover, there is statistically significant association between performance appraisal systems and employee productivity.

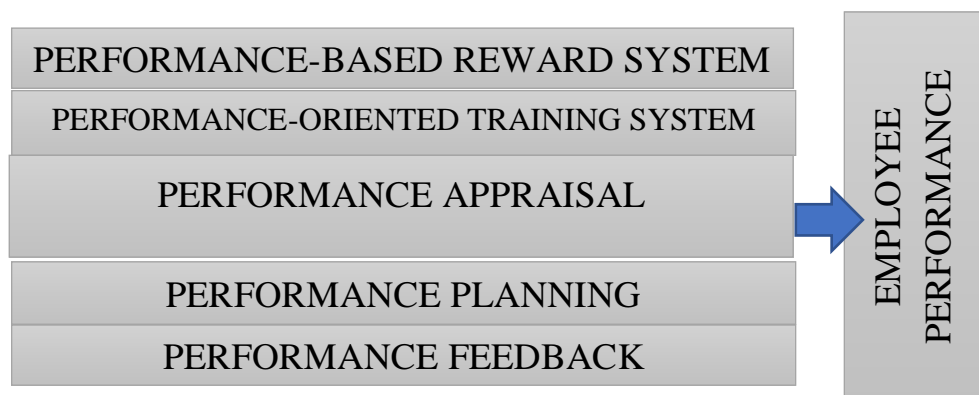
Particularly to Justice for All-Prison Fellowship Ethiopia (JFA-PFE) Meklit (2017) also researched about the effect of performance management system on employee performance. The scholar revealed that there is a weak positive correlation between performance planning and employment performance. (Meklit , 2017)

In addition, the finding unveiled that performance feedback and employee's performance are positivity and moderately correlated. Further, performance feedback has significant relation with employee's performance. According to Meklit (2017) performance planning also has significant and positive relationship with employee performance. Meanwhile, there is not significant correlation between employee's performance and performance appraisal. (Meklit , 2017)

2.4. Synthesis of Review

There should be an expected difference in terms of performance between organizations that have robust PMSs and those that don't. And this begs the question whether the existence of PMSs in an organization automatically makes its employees productive and perform well. (Wairimu, 2015). So many empirical literatures mentioned issues related to performance-based reward system, performance-oriented training system, performance appraisal, performance planning and performance feedback in influencing employee performance. And this synthesis of review comprises the independent and dependent variables detailed in by the scholars such as Wairimu (2015), Kibichii, Kiptum, & Chege (2016) and Meklit (2017) as graphically presented below.

Figure 2.2: Synthesis of review



Source: Own Synthesis from Empirical Literature Review on Wairimu (2015), Kibichii, Kiptum, & Chege (2016) and Meklit (2017)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research Design

Research design is a framework that serves as a plan to study the research problem. The role of a research design is to manage the collection of relevant data with minimal consumption of effort, time and money considering the research objectives (Kothari, Research methodology, methods and techniques., 2004). This study applied cross sectional research design. The purpose of adopting cross sectional research design for the study was to study and describe the association between PMS and EP within a specified time interval.

This study was conducted from July, 2020 to April, 2021 in Ethiopia FHI 360. The information crucial for this study was collected in the form of quantitative ways from primary source by preparing structured questionnaires. As far as research approach is concerned, this study applied quantitative approaches. A quantitative research approach was employed. It was used to see the relationship between performance-based reward system, performance-oriented training system, performance appraisal, performance planning and performance feedback & employee performance.

3.2. Population, Sample Size Determination and Sampling

Techniques

3.2.1. Population

Target population as defined by Frederic (2010), is a universal set of the study of all members of real or hypothetical set of people, events or objects to which an investigator wishes to generalize the result (Parveen , 2015). The target population for this study was 240 employees of FHI 360 projects in 41 centers in Amhara, Oromia, Somali, Southern Nations Nationalities People ,Afar and Tigray regions (USAID and FHI 360, 2017).

3.2.2. Sample Size Determination

The ever-increasing demand for research has created a need for an efficient method of determining the sample size needed to be representative of a given population (Krejcie & Morgan, 1970). The sample size representative of the employees in this study was 147. It was determined based on the Krejcie and Morgan's sample size calculation as presented below

$$s = X^2 NP (1-P) / d^2 (N-1) + X^2 P (1-P)$$

Where:

s = Sample Size

X^2 = The table value of Chi –Square for 1 degree of freedom at the desired confidential level

N = Population Size (240)

P = the population proportion (assumed to be .50 since this would provide the maximum sample size)

d = the degree of accuracy expressed as proportion (0.05).

$$s = 3.841(240) (0.5) (0.5)/ 0.05^2(239) + 3.841 (0.5) (0.5) = 147$$

3.2.3. Sampling Procedures

The careful design of the sample size and the right selection of sampling techniques are important to ensure the representativeness of the sample that can be dependable to generalize the information obtained from the sample to the whole population of the study (Kothari, Research methodology, methods and techniques., 2004). As mentioned early the population of this study embraced 41 centers and sample size 147 was proportionally distributed to these centers using this formula $S_{C1} = s * n_{C1}/N$.

Where s_{C1} = Sample size to center 1; n_{C1} = Population to center 1; N = Total Population = 240 & s = Sample size = 147. From the employee registration file, the researcher identified individual employee that should be contact using systematic random sampling.

At the same time the researcher could trace email address of the selected employees from the organization contact list. Then the researcher emailed the questionnaires to the employees selected.

3.3. Data Source and Collection Method

According to Wimmer and Dominick (2011), method is a specific data collection process in accordance with the assumption of the selected methodology. Primary data are those which are collected a fresh and for the first time and thus happen to be original in character (Kothari, Research methodology, methods and techniques., 2004). For this study primary information sources were staffs in Ethiopia FHI 360 project. Quantitative data collection method was employed in order to obtain detail and reliable data for analysis. The study applied mainly the following information gathering tool, i.e., survey.

3.3.1. Survey

“Survey is a quantitative research strategy that involves the structured collection of data from a predetermined sample”. It involves three methods from which this study chose only one method which was questionnaire. “Questionnaire is a pre-formulated written set of questions to which respondents record their answers”. It is a self-explanatory, read and answered by respondents by themselves. Questionnaire is further divided in to three types which again the study chose only one type which is self-administered questionnaires; “those type of questionnaires in which interviewee answer the question by him/her”. Thus, this study employed survey using self-administered structure questionnaires. The data was collected from the questionnaires designed through the measurement of those constructs contained within Wairimu (2015), Kibichii, Kiptum, & Chege (2016) and Meklit (2017) frameworks.

And the instrument consisted of 4-10 items per the variables. These items were with 5-point likert questionnaires. The agreement scale was explained in this manner i.e., 1=strongly disagree (SD), 2=disagree (D), 3=neutral (N), 4=agree (A), and 5= strongly agree (SA).

The survey has seven general parts. Part one includes general biography of survey respondents. Part two consists of questionnaires about performance-based reward system. Part three consists of questionnaires about performance-oriented training system. Part four incorporates questionnaires about performance appraisal.

Part five consists of questionnaires about performance planning. Part six includes questionnaires about performance feedback. Part seven consists of questionnaires about employee performance. The survey was done on 147 staffs in Ethiopia FHI 360 project.

3.4. Method of Data Analysis

Data analysis includes the important characteristics and relation of variables that leads to generalize the define outlines of behavior and specific results (Iqbal, Ahmad, Haider, Batool, & Qurat-ul-ain, 2013). Since the collected data was largely numerical in nature, the researcher had to use quantitative methods of data analysis. In particular, descriptive and inferential analytical methods were used for analyzing data in relation to the research objectives.

Statistical Package for Social Sciences (SPSS) version 24 was used to generate the statistics. The computer software provides extensive data handling capability and numerous statistical analyses from small to very large data statistics. Descriptive statistics such as percentage and frequency distribution were used in describing the sample data in order to show the general response pattern.

Pearson's correlation analysis was adopted for the assessment of the relationship between the independent variables. And the value of the dependent variable is continuous variable and independent variables are more than two; so, the study applied multiple regression analysis.

3.5. Instrument Reliability and Validity

For ensuring the consistency of the research findings and the accuracy with which a method measures what it is intended to measure; the study tested the reliability and validity of the measurement scales.

Fraenken and Wallen (2003) reported that reliability indicates the consistency of the scores obtained between different respondents or within the responses of the same subjects' overtime (Reimann , Filzmoser , Garrett , & Dutter, 2018).

So, reliability of the items to the variables was measured by using Cronbach's alpha method by the help of SPSS version 24.

The consistency of each item with the scale as a whole to performance-based reward system, performance appraisal, performance feedback, employee performance, performance-oriented training system and performance planning was presented in table 3.1 with Cronbach's alpha 0.801, 0.832, 0.846, 0.851, 0.701 and 0.732 respectively.

Table 3.1: Reliability test

Reliability Statistics to performance-based reward system	
Cronbach's Alpha	N of Items
0.801	10
Reliability Statistics to performance-oriented training system	
Cronbach's Alpha	N of Items
0.701	5
Reliability Statistics to performance appraisal	
Cronbach's Alpha	N of Items
0.832	10
Reliability Statistics to performance planning	
Cronbach's Alpha	N of Items
0.732	4
Reliability Statistics to performance feedback	
Cronbach's Alpha	N of Items
0.846	10
Reliability Statistics to employee performance	
Cronbach's Alpha	N of Items
0.851	10

Source: own survey SPSS V24 (2024)

3.6. Ethical Consideration

The respondents were asked respectfully to receive the required information based on their willingness. The responses of respondents were remained anonymous and only used for the study purpose. The researcher did not disclose the privacy of respondents and was kept secretly the information collected from respondents. Confidentiality was considered in all levels of the study during information gathering.

CHAPTER FOUR

RESULT AND DISCUSSION

4.1. Introduction

This chapter attempted to analyze and interpret the data collected and summarized. The results are made to relate to the key considerations discussed in the literature review sections. At the same time, the data is analyzed in association with the research questions raised in chapter one. Basically, this study tried to investigate the effect of performance management system on employee performance. The data collected were analyzed using SPSS version 24.

4.2. Response Rate

A total of 147 questionnaires were administered for the total employees of FHI 360 and all of the surveyed participants return the questionnaires.

4.3. Demographic Characteristics of the Respondents

General demographic information was collected from the staffs of FHI360. Demographic information of the respondents includes age, sex and service year as presented in Table 4.1 below.

Table 4.1: Demographic characteristics of the respondents

Sex					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	56	38	38	38
	Male	91	62	62	100
Education					
Valid	Bachelor Degree	98	67	67	67
	Master Degree	34	23	23	90
	Ph.D.	15	10	10	100
Service year					
Valid	Less than 1 year	4	3	3	3
	1 to 3 years (less than 3 years)	16	11	11	14
	3 to 5 years (including 5 years)	28	19	19	33
	5 to 7 years (including 7 years)	44	30	30	63
	7 to 10 years (including 10 years)	21	14	14	77
	>10 years	34	23	23	100

Source: own survey SPSS V24 (2024)

Accordingly, table 4.1 presents sex, education and service year distribution among the respondents who took part in the completion of the questionnaire. The table shows that 91 (62%) of respondents are men, while 56 (38%) of the respondents are women. Sex distribution among the respondents who took part in the survey is almost representative to the total population. And the researcher was interested with the distribution of gender because it would help in ensuring a balanced view to the response of the research questions. Further, the table indicates that out of the total sample size, 98 (67%) of the respondents hold a bachelor degree while 34 (23%) hold a master degree. The rest 15 (10%) of the respondents hold Ph.D.

As far as the experience of survey respondents is concerned, 21 (14%), are tenured in FHI 360 for 7 to 10 years (including 10 years) while 34 (23%), are served for more than 10 years. On the other hand, out of total 147 employees involved in this study 44 (30%) have served 5 to 7 years (including 7 years) in FHI 360 while 16 (11%), have served for 1 to 3 years (less than 3 years). The rest 4 (3%) of the surveyed participants have served for less than 1 year.

Relatively slim majority of the surveyed participants (67%) are tenured in FHI 360 for more than 5 years which in turn gave relatively better opportunity to elicit analyzable information and data on examining the effect of PMS on employee performance in reference to FHI 360.

In addition, this percentage is significant for this study as it demonstrates that most of respondents have been in the FHI 360 for long and therefore their view about the performance management system was based on their experience over a considerable duration of time.

4.4. The Relationship between PMS and Employee Performance

This study assessed the relationship between PMS and employee performance via 5-point likert type questions by focusing on staffs' opinion.

4.4.1. The Influence of Performance Feedback on Employee Performance

Within the agreement scale participants were asked to put their degree of agreement between one and five onto their opinion about the influence of performance feedback on employee performance.

So, descriptive statistics of the variables related to performance feedback were calculated to see the level of agreement of respondents to the variables' influence on employee performance.

And Table 4.2 below presented descriptive statistics to independent variable (performance feedback).

Table 4.2: Influence of performance feedback on employee performance

S/N	Statements	Mean	St. Deviation
1	I am satisfied with the way my organization provides me with feedback	3.798	0.401
2	My organization seems more engaged in providing positive feedback for good performers than criticizing the poor ones.	3.757	0.367
3	My manager gives me fair feedback	3.742	0.342
4	Current performance feedback in my organization is fair and unbiased.	3.732	0.359
5	The feedback I receive on how I do my job is highly relevant.	3.732	0.358
6	The feedback I receive agrees with what I have actually achieved	3.698	0.401
7	I always get adequate feedback on my performance.	3.674	0.421
8	My manager discusses regularly my job performance with me.	3.501	0.506
9	I enjoy discussing about my performance with people outside it	3.498	0.476
10	My manager communicates with me frequently about my performance.	3.421	0.497

Source: own survey SPSS V24 (2021)

Accordingly, in Table 4.2, the mean results, align with the variables, are listed in descending order depending on participants' opinion towards variables related performance feedback in influencing employee performance. Since the standard deviation value was not more than 1 indicating that the finding was normally distributed and the responses from the participants were very close to the mean value.

Moreover, based on previous empirical literatures for interpretation purposes a mean response of <1.5 implies strongly disagree, while a mean response of 1.5-2.4 (including 1.5) implies disagree.

A mean response of 2.5-3.5 (including 2.5) implies neutral, a mean response of 3.5-4.5 (including 3.5) means agree and finally a mean response of >4.5 (including 4.5) infers strong agreement. (Meklit , 2017)

First of all, the participants agree that they are satisfied with the way their organization provides them with feedback. This is affirmed by mean 3.798 of respondents. Next, they declare that their organization seems more engaged in providing positive feedback for good performers than criticizing the poor ones. And this is reported by the respondents with mean score 3.757 and standard deviation of 0.367.

Thirdly, participants consider that their manager gives them fair feedback. This is also affirmed by mean 3.742 of respondents. Actually, these results complied with the previous studies. For instance, Schaufeli and Salanova (2007) suggested that positive feedback promotes engagement by affecting the socio-emotional climate in organizations.

Moreover, positive feedback is also likely to promote engagement and performance. Meanwhile, participants are not sure for their managers communicate with them frequently about their performance.

The aforementioned findings shine lights on the influence of performance feedback on employee performance; even though, it requires to be backed by statistical tests presented in the next sections.

4.4.2. The Influence of Performance based Reward system on Employee Performance

The researcher emailed to staffs self-administered structure questionnaires for they can describe their opinion towards variables related to performance-based reward system and their influence on employee performance in degree of agreement.

So, descriptive statistics of the variables related to performance-based reward system were calculated to see the level of agreement of respondents to the variables' influence on employee performance.

And Table 4.3 below presented descriptive statistics to independent variable (performance-based reward system).

Table 4.3: Influence of performance-based reward system on employee performance

S/N	Statements	Mean	St. Deviation
1	My organization influences my productivity by linking the reward on job promotion.	3.897	0.297
2	My level of wage is fair and satisfactory to the degree of my performance.	3.882	0.283
3	The rewards are varied and satisfactory.	3.854	0.273
4	The rewards provided by my organization very frequently motivate me to give my best.	3.799	0.367
5	The rewards provided by my organization sometimes serve to improve on my productivity.	3.769	0.382
6	The rewards are varied and satisfactory.	3.748	0.398
7	Reward opportunities encourage staff to be creative.	3.669	0.431
8	Bonuses increase my performance	3.519	0.46
9	Appreciation by managers increases my success at work.	3.398	0.498
10	When rewarded I seek for ways of improving the performance of the organization.	3.321	0.511

Source: own survey SPSS V24 (2021)

As the result demonstrated on the above table, the mean results, align with the variables, are listed in descending order based on the participants’ opinion towards the variables related to performance-based reward system in influencing employee performance.

Since the standard deviation value was not more than 1 indicating that the finding was normally distributed and the responses from the participants were very close to the mean value.

Primarily the staffs consider that their organization influences their productivity by linking the reward on job promotion. This is indicated by the mean value of 3.897 and standard deviation of 0.297.

Actually, two decades ago, Armstrong advised that it is undesirable to have a direct link between the performance review and the reward review. The former must aim primarily at improving performance and possibly assessing potential.

Next, they have opinion that their level of wage is fair and satisfactory to the degree of their performance.

This is shown by the mean value of 3.882 and standard deviation of 0.283. Thirdly, participants declare that the rewards are varied and satisfactory. This is also affirmed by mean 3.854 of respondents.

The aforementioned findings give clue as there is relationship between performance-based reward system and employee performance; even though, it requires to be backed by statistical tests presented in the next sections.

4.4.3. The Influence of Performance Appraisal on Employee Performance

This study has dispatched self-administered structure questionnaires to staffs for they can report their view about the variables related to performance appraisal and their influence on employee performance. So, descriptive statistics of the variables related to performance appraisal were calculated to see the level of agreement of respondents to the variables' influence on employee performance.

And Table 4.4 below presented descriptive statistics to independent variable (performance appraisal)

Table 4.4: Influence of performance appraisal on employee performance

S/N	Statements	Mean	St. Deviation
1	Performance appraisal influences positively individual performance	3.567	0.592
2	Performance appraisal makes me work harder than expected	3.543	0.598
3	Performance appraisal makes me work at my normal pace	3.521	0.601
4	If don't agree with performance appraisal score, there is appeal process	3.198	0.645
5	I often perform better than what can be expected without appraisal.	3.098	0.689
6	Am satisfied with the current performance appraisal system in the organization	3.043	0.697
7	Performance appraisal makes me better understand what should be doing	3.01	0.707
8	Performance appraisal is used as a decision-making tool for the increasing my performance.	3.009	0.765
9	Performance appraisal is valuable to my performance in my organization	3.00	0.798
10	Performance appraisal makes me work below expectation due to how it is conducted	2.908	0.987

Source: own survey SPSS V24 (2021)

As the result illustrated in the Table 4.4 above, first of all, the participants agree that performance appraisal influences positively individual performance. This is affirmed by mean 3.567 of respondents. Next, they declare that performance appraisal makes them work harder than expected. And this is reported by the respondents with mean score 3.543 and standard deviation of 0.598.

Thirdly, participants consider that performance appraisal makes them work at my normal pace.

This is also affirmed by mean 3.521 of respondents. Actually, these results concurred with expectancy theory which is based on the hypothesis that individuals adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them and modifies their behavior in such a way which is most likely to lead them to attain these goals. (Mulwa & Weru, 2017).

In addition, Rashid , et al. (2013) also aired that employee performance is generated through performance appraisal and high work motivation. Generally, according to Mahapatro (2010) appraisal results provide vital information about a worker's strength and weaknesses, training needs and reward plans such as advancement, promotion, pay increase, demotion and work or performance improvement plans.

The aforementioned findings shine lights on the influence of performance feedback on employee performance; even though, it requires to be backed by statistical tests presented in the next sections.

4.4.4. The Influence of Performance-Oriented Training System on Employee Performance

The researcher emailed to staffs self-administered structure questionnaires for they can describe their opinion towards variables related to performance-oriented training system and their influence on employee performance in degree of agreement.

So, descriptive statistics of the variables related to performance-oriented training system were calculated to see the level of agreement of respondents to the variables' influence on employee performance.

And Table 4.5 below presented descriptive statistics to independent variable (performance-oriented training system).

Table 4.5: Influence of performance-oriented training system on employee performance

S/N	Statements	Mean	St. Deviation
1	Selection for training is based on performance appraisal.	3.321	0.669
2	The overall quality of training content design fits to my current carrier	3.31	0.771
3	The overall quality of training content design improves my skill	3.09	0.897
4	The overall quality of training content design enhances my knowledge	3.00	0.917
5	The overall quality of training content design improves my attitude	2.98	0.995

Source: own survey SPSS V24 (2021)

As the result presented that the Table 4.5 above, the participants are not sure for the selection for training is based on performance appraisal. This is affirmed by mean 3.321 of respondents.

In addition, they are not sure for the overall quality of training content design fits to their current carrier. And this is reported by the respondents with mean score 3.31 and standard deviation of 0.771.

Moreover, the participants are not sure for the overall quality of training content design improves their skill. This is also affirmed by mean 3.09 of respondents.

In contrary Swart, Mann, Brown & Price (2005) advised that implementing training programs as a solution to covering performance issues such as filling the gap between the standard and the actual performance is an effective way of improving employee performance.

4.4.5. The Influence of Performance Planning on Employee Performance

The researcher emailed to staffs self-administered structure questionnaires for they can describe their opinion towards variables related to performance planning and their influence on employee performance in degree of agreement.

So, descriptive statistics of the variables related to performance planning were calculated to see the level of agreement of respondents to the variables' influence on employee performance.

And Table 4.6 below presented descriptive statistics to independent variable (performance planning).

Table 4.6: Influence of performance planning on employee performance

S/N	Statements	Mean	St. Deviation
1	The performance planning process in my organization is participatory	3.973	0.198
2	Participating in the planning process motivates me highly to perform towards achieving the goal set by the organization	3.765	0.211
3	The consultation process in the development of the performance management system is highly appropriate	3.698	0.301
4	Discussions takes place between manager and individual on what the latter needs to do to achieve the agreed goals, raise standards, improve performance, etc.,	3.592	0.333

Source: own survey SPSS V24 (2021)

As the result demonstrated on the above table, the mean results, align with the variables, are listed in descending order based on the participants’ opinion towards the variables related to performance planning in influencing employee performance.

Since the standard deviation value was not more than 1 indicating that the finding was normally distributed and the responses from the participants were very close to the mean value.

Primarily the staffs consider that the performance planning process in their organization is participatory. This is indicated by the mean value of 3.973 and standard deviation of 0.198.

Next, they declare that participating in the planning process motivates them highly to perform towards achieving the goal set by the organization. And this is reported by the respondents with mean score 3.765 and standard deviation of 0.211.

Thirdly, participants state that the consultation process in the development of the performance management system is highly appropriate. This is also affirmed by mean 3.698 of respondents. Actually, previous studies also strengthened these findings. For instance, Aguinis (2009) described already if the planning process was participatory in turn results in positive effect on employee performance.

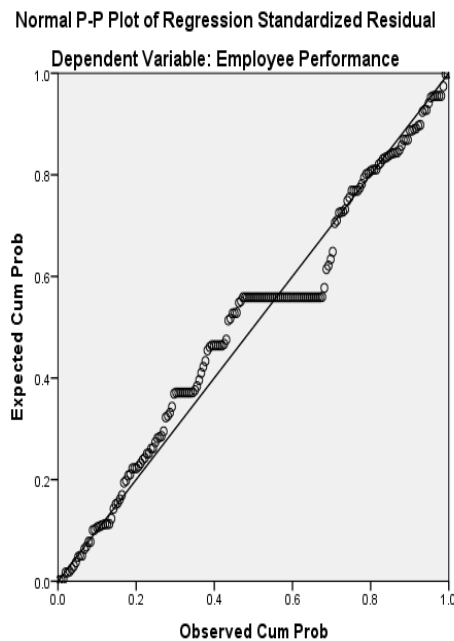
4.5. Diagnostics of Assumptions in Regression

Prior to conducting a regression analysis, the basic assumptions concerning the original data must be carried out. This is a compulsory precondition in explaining the relationships between dependent and explanatory variables. So, linearity, homoscedastic, autocorrelation and multicollinearity has been checked

4.5.1. Linearity

The data is normal because, the little circles follow the normality line, as shown in the figure below

Figure 4.1: Linearity Test

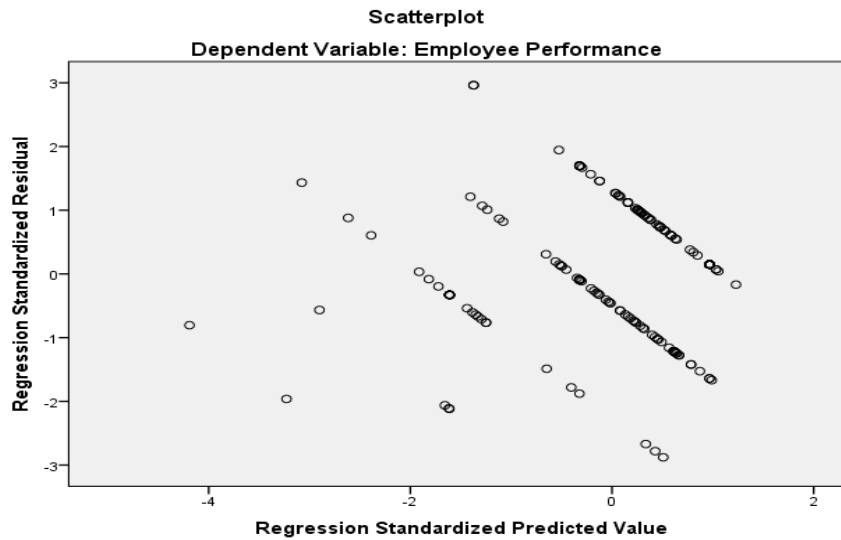


Source: own survey SPSS V24 (2021)

4.5.2. Homoscedastic

Since the data is homoscedastic, it looks something like the plot below. There are points equally distributed above and below zero on the X axis, and to the left and right of zero.

Figure 4.2: Homoscedastic test



Source: own survey SPSS V24 (2021)

4.5.3. Multicollinearity

Strong relationship between explanatory variables is a problem of multicollinearity and not acceptable for ordinary list square regression analyses.

The assumption of multicollinearity can also be assessed using SPSS as part of multiple regression procedure. In the Collinearity statistics section, Tolerance and VIF values are given.

Tolerance is an indicator of how much of the variability of the specified independent is not explained by the other independent variables in the model and is calculated using the formula $(1 - R \text{ squared for each variable})$.

If this value is small (less than 0.10) it indicates that the multiple correlation which other variables is high, suggesting the possibility of multicollinearity.

In the present study the tolerance value for each independent variable was not less than 0.10 therefore, this also suggests that the assumption of multicollinearity was not violated (see table 4.7).

Table 4.7: Collinearity Test

S/N	Variable	Collinearity Statistics	
		Tolerance	VIF
1	performance-based reward system	0.323	3.098
2	performance-oriented training system	0.406	2.461
3	performance appraisal	0.292	3.430
4	performance planning	0.421	2.375
5	performance feedback.	0.529	1.890

Source: own survey SPSS V24 (2020)

Variance-inflation factor (VIF) has also been checked and values are found smaller, which supports that multicollinearity is not a problem. Moreover, tolerance statistics in regression analysis helps to detect collinearity problem. Tolerance value runs from 0 to 1 and values closer to 1 indicates no multicollinearity problem (Thompson & Demirov, 2006). In this study all the tolerances are above 0.292 and, therefore, the amount of variation in that construct is not explained by other predictors. The two tests indicated that there is no multicollinearity problem (see table 4.7).

4.5.4. Autocorrelation

According to Stevens (2009), autocorrelation or independence of errors refers to the assumption that errors are independent of one another, implying that subjects are responding independently. Durbin-Watson statistic can be used to test the assumption that our residuals are independent (or uncorrelated). This statistic can vary from 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. So, in this study errors are responding independently, and autocorrelation is not a concern with DW of 1.910.

4.6. Correlation Analysis

Correlation analysis shows the degree of association between variables and indicates the direction in which the variables associate - positively or negatively. The correlation coefficient is a measure of this relationship and depends on the variability of each of the two variables.

Because of covariance, correlation coefficient can take a number with + or – sign (Reimann , Filzmoser , Garrett , & Dutter, 2018). One of the widely used methods to calculate a correlation coefficient is the Pearson product moment correlation. According to Reimann, Filzmoser, Garrett, & Dutter (2018) this method results in a number between –1 and +1 that expresses how closely the two variables are related, ±1 shows a perfect 1:1 relationship (positive or negative) and 0 indicates that no systematic relationship exists between the two variables.

Table 4.8: Pearson correlation

Correlations		
		Employee performance
Performance feedback	Pearson Correlation	0.323**
	Sig. (2-tailed)	.000
	N	147
Performance-based reward system	Pearson Correlation	.298**
	Sig. (2-tailed)	.000
	N	147
Performance-oriented training system	Pearson Correlation	.251**
	Sig. (2-tailed)	.000
	N	147
Performance planning	Pearson Correlation	.244**
	Sig. (2-tailed)	.000
	N	187
Performance appraisal	Pearson Correlation	0.094
	Sig. (2-tailed)	.198
	N	187

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

Source: own survey SPSS V24 (2020)

The above table 4.11 shows correlation between dependent and independent variables. As indicated in this table, there was a statistically significant positive correlation between performance feedback, performance-based reward system, performance-oriented training system and performance planning & employee performance.

The correlation between performance feedback, performance-based reward system, performance-oriented training system and performance planning & employee performance was with $r = 0.323^{**}$, $p < 0.01$; $.298^{**}$, $p < 0.01$; $.251^{**}$, $p < 0.01$ and $.244^{**}$, $p < 0.01$ respectively.

Actually, this finding complied with the previous studies of Meklit (2017) and Kibichii, Kiptum, & Chege (2016). Forinstance, according to Kibichii, Kiptum, & Chege (2016) there is a significant association between employee training and development and employee productivity.

4.7. Model Estimation

It is common practice to evaluate the appropriateness of a single descriptive model for the problem under study with the help of the coefficient determination, R^2 . According to Reisinger (1997) in empirical studies, the most important benefit of R^2 is that it serves as a fast and easily interpretable measure for the goodness of fit of the estimated model. (Figueiredo, 2011)

In the table below the coefficient of determination specified that 81.5% of the deviation in employee performance for the 147 responded employees explained by variations in performance feedback, performance-based reward system, performance-oriented training system, performance planning and performance appraisal while 18.5% remains unexplained.

According to Singh (2007), an adjusted R square beyond 50 percent is good. (Figueiredo, 2011) Therefore, the adjusted R square of this study is 50.9% which is in the range of good. Moreover, adjusted R square value for the model shows that 50.9% of goodness of fit of the model is good. This finding also concurred with the previous studies.

Table 4.9: Model Estimation

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.845 ^a	0.815	0.799	2.310
a. Predictors: (Constant), performance feedback, performance-based reward system, performance-oriented training system, performance planning and performance appraisal				
b. Dependent Variable: Employee performance				

Source: own survey SPSS V24 (2021)

4.8. ANOVA test

On the other hand, ANOVA test compares the means between more than two unrelated groups on the same continuous, dependent variable. Table 4.12 shown below provides the actual results from the ANOVA test.

Table 4.10: ANOVA test

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	97.396	5	17.879	63.662	.000 ^b
	Residual	81.653	141	0.185		
	Total	314.049	146			
a. Dependent Variable: NPL						
b. Predictors: (Constant), performance feedback, performance-based reward system, performance-oriented training system, performance planning and performance appraisal						

Source: own survey SPSS V24 (2020)

The ANOVA table above reveals that the summary of analysis of deviation and F-statistics, which discloses the value of $F(5, 141) = 63.662$, $p < .0005$ which represents significant at 0.0001.

The result for F value is large because $F_{\text{Calculated}}$ is greater than table value of $F(5, 141)$ it can be concluded that the set of independent variables (performance feedback, performance-based reward system, performance-oriented training system, performance planning and performance appraisal) as a whole affecting the variance of employee performance and consequently, the model shows the real practice of employee performance for the study.

4.9. Regression Analyses and Hypotheses Testing

4.9.1. Regression Result on Employee Performance

Multiple regressions were employed to investigate the effect of PMS on employee performance.

Except performance appraisal all independent variables in the study were statistically interrelated with employee performance which shows that the data was appropriately associated with the dependent variable for investigation via multiple linear regressions.

Let us see the coefficient table and interpret our hypothesis one by one in the next section.

Table 4.11: Coefficient table

Coefficients								
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	0.179	0.182		0.981	0.327		
	performance planning	0.020	0.071	0.218	3.387	0.000	0.421	2.375
	performance feedback	0.446	0.060	0.339	4.068	0.000	0.529	1.890
	performance-based reward system	0.342	0.071	0.298	3.435	0.000	0.323	3.098
	performance-oriented training system	0.174	0.057	0.229	3.068	0.000	0.406	2.461
	performance appraisal	0.307	0.053	-0.112	0.038	0.276	0.292	3.430
a. Dependent Variable: Employee performance								

Source: own survey SPSS V24 (2020)

4.9.2 Hypothesis Testing

4.9.2.1. Performance Feedback

H5 = performance feedback has significant effect on employee performance

As it has been revealed table labelled coefficient, performance feedback has positive effect on employee performance with ($r=0.339$, $p= 0.000$), thus, expected hypothesis was strongly supported in the study. The result indicates when other predictors (performance planning, performance-based reward system, performance-oriented training system and performance appraisal) were constant, for every increase of

performance feedback, employee performance increases by =0.339. Previous studies also complied with this finding.

For instance, previously Meklit (2017) revealed that there is significant relationship between performance feedback and employee performance.

4.9.2.2. Performance-based Reward System

H1 = performance-based reward system has significant effect on employee performance

As it has been revealed table labelled coefficient performance-based reward system has positive effect on employee performance with ($r=0.298$, $p= 0.000$), thus, expected hypothesis was strongly supported in the study. The result indicates when other predictors (performance planning, performance feedback, performance-oriented training system and performance appraisal) were constant, for every increase of performance feedback, employee performance increases by =0.298. Previous studies also complied with this finding. For instance, previously Meklit (2017) revealed that there is significant relationship between performance-based reward system and employee performance.

4.9.2.3. Performance-oriented Training System

H2 = performance-oriented training system has significant effect on employee performance

As it has been revealed table labelled coefficient, performance-oriented training system has positive effect on employee performance with ($r=0.229$, $p= 0.000$), thus, expected hypothesis was strongly supported in the study. The result indicates when other predictors (performance planning, performance-based reward system, performance feedback and performance appraisal) were constant, for every increase of performance feedback, employee performance increases by =0.229. Previous studies also complied with this finding. For instance, previously Odhiambo (2015) revealed that there is significant relationship between performance-oriented training system and employee performance.

4.9.2.4. Performance Planning

H4 = performance planning has significant effect on employee performance

As it has been revealed table labelled coefficient, performance planning has positive effect on employee performance with ($r=0.218$, $p= 0.000$), thus, expected hypothesis was strongly supported in the study. The result indicates when other predictors (performance feedback, performance-based reward system, performance-oriented training system and performance appraisal) were constant, for every increase of performance feedback, employee performance increases by $=0.218$. Previous studies also complied with this finding.

For instance, previously Meklit (2017) revealed that there is significant relationship between performance planning and employee performance. Meanwhile; there is no significant relationship between performance appraisal and employee performance.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

This chapter presents findings, conclusion and some relevant recommendations to practice as well as for future researchers based on objective of the study mentioned in Chapter One.

5.1 Summary of Findings

In this thesis work, the study investigated the effect of performance management system on employee performance in Ethiopia FHI 360 project. The study has used cross sectional research design. The purpose of adopting a cross sectional research design for the study was to study and describe the association between PMS and EP within a specified time interval. And the value of the dependent variable is continuous variable and independent variables are more than two; so, the study applied multiple regression analysis and the findings are summarized as follows.

- ✚ First of all, the participants agree that they are satisfied with the way their organization provides them with feedback. This is affirmed by mean 3.798 of respondents.
- ✚ Primarily the staffs consider that their organization influences their productivity by linking the reward on job promotion. This is indicated by the mean value of 3.897 and standard deviation of 0.297.
- ✚ first of all, the participants agree that performance appraisal influences positively individual performance. This is affirmed by mean 3.567 of respondents.
- ✚ The participants are not sure for the selection for training is based on performance appraisal. This is affirmed by mean 3.321 of respondents.
- ✚ Primarily the staffs consider that the performance planning process in their organization is participatory. This is indicated by the mean value of 3.973 and standard deviation of 0.198.

- ✚ The correlation between performance feedback, performance-based reward system, performance-oriented training system and performance planning & employee performance was with $r = 0.323^{**}$, $p < 0.01$; $.298^{**}$, $p < 0.01$; $.251^{**}$, $p < 0.01$ and $.244^{**}$, $p < 0.01$ respectively.
- ✚ The coefficient of determination specified that 81.5% of the deviation in employee performance for the 147 responded employees explained by variations in performance feedback, performance-based reward system, performance-oriented training system, performance planning and performance appraisal while 18.5% remains unexplained.
- ✚ The model shows the real practice of employee performance for the study.
- ✚ Except performance appraisal all independent variables in the study were statistically interrelated with employee performance which shows that the data was appropriately associated with the dependent variable for investigation via multiple linear regressions.
- ✚ When other predictors (performance planning, performance-based reward system, performance-oriented training system and performance appraisal) were constant, for every increase of performance feedback, employee performance increases by $=0.339$.
- ✚ If other predictors (performance planning, performance feedback, performance-oriented training system and performance appraisal) were constant, for every increase of performance feedback, employee performance increases by $=0.298$.
- ✚ When other predictors (performance planning, performance-based reward system, performance feedback and performance appraisal) were constant, for every increase of performance feedback, employee performance increases by $=0.229$.
- ✚ If other predictors (performance feedback, performance-based reward system, performance-oriented training system and performance appraisal) were constant, for every increase of performance feedback, employee performance increases by $=0.218$.
- ✚ Meanwhile; there is no significant relationship between performance appraisal and employee performance.

5.2. Conclusion

The large numbers of studies have been conducted by various research scholars and academicians across the globe, to investigate the effect of PMS on employee performance. This research work was an attempt to examine this issue in reference to Ethiopia FHI 360 project. The study was conducted on 147 staffs. Relying on existing literature; issues were considered and offered to respondents in form of a closed ended questionnaire to mark their responses. The collected data was analyzed with the help of statistical package for social science (SPSS24). Based on the aforementioned findings the study led to the following conclusion i.e., from the staffs' point of view so far executed PMS has influence on their performance.

The correlation between performance planning, performance-based reward system, performance-oriented training system and performance feedback & employee performance was positive; while, there was negative correlation between employee performance and performance appraisal. The goodness of fit of the model is also good. It means the set of independent variables (performance planning, performance-based reward system, performance-oriented training system, performance feedback and performance appraisal) as a whole affecting the variance of employee performance and consequently, the model shows the real practice of employee performance for the study.

When other predictors were constant, for every increase of performance planning, performance feedback, performance-oriented training system and performance appraisal, employee performance increases by r value.

5.3. Recommendation

Based on the findings and the conclusions made before, the following recommendations are provided. For every increase of performance-oriented training system, employee performance increases by = 0.229; in the contrary depending on the level of respondent's agreement performance-oriented training system is not given higher level of agreement compared to other similar variables.

So, in limited resource setting it is better to put effort on the variables such as performance-oriented training system, performance-based reward system and performance feedback.

It means, for the PMS to be effective in improving employee performance the projects need to pay attention to the issues related to performance-oriented training system, performance-based reward system and performance feedback.

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QUESTIONNAIRES
ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE

Dear survey participants,

This study is conducted in partial fulfillment for the Masters of Art in HRM at Addis Ababa University School of Commerce. It is conducted to investigate the impact of performance management system on employee performance in reference to Ethiopia FHI 360.

The survey will take 30 minutes to complete. The information you provided will be used only for academic purposes and hence remain confidential. Thus, you are not required to give information about your name, address and other personal information. Given the importance of the topic covered in the study, your genuine responses are vital for the success of this study. So, you are kindly requested to give information honestly and responsibly.

Thank you in advance for your willingness to participate in this survey by sparing your precious time. If you have questions, please don't hesitate to contact the researcher via the following contact address:

Phone: +251913010137 leyouwerklias@gmail.com

Part I: General Biography of Survey Respondents

1. Please choose your gender from the given options
 - A. Male
 - B. Female
2. Please choose your level of education from the given options
 - A. Grade 12 completed
 - B. TVET levels
 - C. Bachelor Degree
 - D. Master Degree
 - E. Ph.D. Degree
3. Please state how long you worked in the organization
 - A. Less than 1 year
 - B. 1 to 3 years (less than 3 years)
 - C. 3 to 5 years (including 5 years)
 - D. 5 to 7 years (including 7 years)
 - E. 7 to 10 years (including 10 years)
 - F. >10 years

Part II: Five-point Likert Type Questions about the Relationship between Performance Appraisal and Employee Performance

S/N	Statements	Degree of Agreement				
		SD (1)	D (2)	N (3)	A (4)	SA (5)
1	Performance appraisal makes me work harder than expected					
2	Performance appraisal makes me work at my normal pace					
3	Performance appraisal makes me work below expectation due to how it is conducted					
4	If don't agree with performance appraisal score, there is appeal process					
5	Performance appraisal makes me better understand what should be doing					
6	Performance appraisal is used as a decision-making tool for the increasing my performance.					
7	Performance appraisal influences positively individual performance					
8	I often perform better than what can be expected without appraisal.					
9	Performance appraisal is valuable to my performance in my organization					
10	Am satisfied with the current performance appraisal system in the organization					

N.B: SD (1) stands for Strongly Disagree with the score 1; D (2) stands for Disagree with the score 2, N (3) stands for Neutral with the score 3, A (4) stands for Agree with the score 4 & SA (5) stands for Strongly Agree with the score 5

Part III: Five-point Likert Type Questions about the relationship between Performance-based Reward System and Employee Performance

S/N	Statements	Degree of Agreement				
		SD (1)	D (2)	N (3)	A (4)	SA (5)
1	The rewards provided by my organization very frequently motivate me to give my best.					
2	The rewards provided by my organization sometimes serve to improve on my productivity.					
3	My organization influences my productivity by linking the reward on job promotion.					
4	The rewards motivate me to be timely in completing my duties.					
5	The rewards are varied and satisfactory.					
6	My level of wage is fair and satisfactory to the degree of my performance.					
7	Reward opportunities encourage staff to be creative.					
8	Bonuses increase my performance					
9	Appreciation by managers increases my success at work.					
10	When rewarded I seek for ways of improving the performance of the organization.					

N.B: SD (1) stands for Strongly Disagree with the score 1; D (2) stands for Disagree with the score 2, N (3) stands for Neutral with the score 3, A (4) stands for Agree with the score 4 & SA (5) stands for Strongly Agree with the score 5

Part IV: Five-point Likert Type Questions about the relationship between Performance Feedback and Employee Performance

S/N	Statements	Degree of Agreement				
		SD (1)	D (2)	N (3)	A (4)	SA (5)
1	My manager gives me fair feedback					
2	My manager discusses regularly my job performance with me.					
3	I enjoy discussing about my performance with people outside it					
4	My organization seems more engaged in providing positive feedback for good performers than criticizing the poor ones.					
5	The feedback I receive agrees with what I have actually achieved					
6	My manager communicates with me frequently about my performance.					
7	The feedback I receive on how I do my job is highly relevant.					
8	I am satisfied with the way my organization provides me with feedback					
9	I always get adequate feedback on my performance.					
10	Current performance feedback in my organization is fair and unbiased.					

N.B: SD (1) stands for Strongly Disagree with the score 1; D (2) stands for Disagree with the score 2, N (3) stands for Neutral with the score 3, A (4) stands for Agree with the score 4 & SA (5) stands for Strongly Agree with the score 5

Part V: Five-point Likert Type Questions about the relationship between Performance Planning and Employee Performance

S/N	Statements	Degree of Agreement				
		SD (1)	D (2)	N (3)	A (4)	SA (5)
1	The consultation process in the development of the performance management system is highly appropriate					
2	The performance planning process in my organization is participatory					
3	Participating in the planning process motivates me highly to perform towards achieving the goal set by the organization					
4	Discussions takes place between manager and individual on what the latter needs to do to achieve the agreed goals, raise standards, improve performance, etc.,					

N.B: SD (1) stands for Strongly Disagree with the score 1; D (2) stands for Disagree with the score 2, N (3) stands for Neutral with the score 3, A (4) stands for Agree with the score 4 & SA (5) stands for Strongly Agree with the score 5

Part VI: Five-point Likert Type Questions about the relationship between performance-oriented training system and Employee Performance

S/N	Statements	Degree of Agreement				
		SD (1)	D (2)	N (3)	A (4)	SA (5)
1	Selection for training is based on Performance appraisal.					
2	The overall quality of training content design fits to my current carrier					
3	The overall quality of training content design improves my skill					
4	The overall quality of training content design enhances my knowledge					
5	The overall quality of training content design improves my attitude					

N.B: SD (1) stands for Strongly Disagree with the score 1; D (2) stands for Disagree with the score 2, N (3) stands for Neutral with the score 3, A (4) stands for Agree with the score 4 & SA (5) stands for Strongly Agree with the score 5

Part VII: Five-point Likert Type Questions about Employee Performance

S/N	Statements	Degree of Agreement				
		SD (1)	D (2)	N (3)	A (4)	SA (5)
1	I am able to take new tasks					
2	I can step in for my co-workers whenever need arises					
3	I am continuously learning and improving myself					
4	I am able to communicate freely with my supervisor and colleagues					
5	I know what is expected of me at work					
6	I have enough information to do my job well					
7	I am aware about what the beneficiaries want					
8	I receive good feedback from the beneficiaries					
9	I am involved in important decisions that affect my work					
10	I am comfortable with giving feedback to others					

N.B: SD (1) stands for Strongly Disagree with the score 1; D (2) stands for Disagree with the score 2, N (3) stands for Neutral with the score 3, A (4) stands for Agree with the score 4 & SA (5) stands for Strongly Agree with the score 5