



Addis Ababa University

College of Business and Economics

School of Commerce

Department of Human resource management

**Assessment of practices and challenges of employee performance
management at Commercial bank of Ethiopia, Bishoftu city**

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**A Thesis Submitted to Addis Ababa University School of Commerce for the Partial
Fulfillment of the Requirement for Masters of Art Degree in Human Resource
Management**

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Statement of Declaration

I declare that the thesis work entitled “**Assessment of practices and challenges of employee performance management at Commercial bank of Ethiopia, Bishoftu city**” is my original work that all sources of material used for the work have been duly acknowledged.

Tigist W/Michael

Statement of certification

This is to certify that this thesis work entitled “**Assessment of practices and challenges of employee performance management at Commercial bank of Ethiopia, Bishoftu city**”, undertaken by Tigist W/Michael for the partial fulfillment of Master of Arts Degree in Human Resource Management from Addis Ababa University school of commerce is an original work and fit for partial fulfillment for Masters of Arts Degree in Human Resource Management.

Abdurezak Mohammed (PHD)
Research Advisor

Date

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Acronyms

CBE - Commercial Bank of Ethiopia

EPM - Employee Performance Management

EPMS - Employee Performance Management system

HR - Human Resource

HRD - Human Resources Development

HRM - Human Resources Management

PM - Performance Management

PMS - Performance Management system

SPSS - Statistical Package for Social Science

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Abstract

This thesis is designed to assess the practices and challenges of performance management at Commercial Bank of Ethiopia, Bishoftu area. The study tried to address for what purposes the system was used, how performance management process was practiced and challenges faced while implementing the system. The research used descriptive method of study. This research has used stratified random sampling technique to select questionnaire respondents and purposive sampling to select interviewees. Both primary and secondary data were used. The primary data was collected from 134 respondents through questionnaire and also semi-structured interview was conducted with managers to get information for the research. The analysis was done by the help of SPSS and presented using descriptive statistics; frequency, mean, tables and percentages. The research has outlined that the major weaknesses of the employee performance management system of the Commercial Bank of Ethiopia as limited awareness concerning the purpose and implications of performance management, lack of employee participation in planning, lack of regular feedback and coaching to improve performance. And also subjective supervisor assessment and no link between performance and reward were revealed by the research. The research also indicated CBE has some good qualities in clearly defining the mission, vision and values and developing strategy map. Recommendations forwarded to address the issues were, improve employee's participation in the process, to avail adequate and timely trainings concerning all aspects of the EPMS, revise performance standards and measures to minimize subjectivity; enhance the involvement of employees via promoting transparency and equip them with the required resources, provide regular feedback and Coaching. Finally to make the system effective, CBE needs to provide reward at the right time and clearly show the implication of good as well as poor performance.

Key Words: *Performance management, Employee performance management, Commercial bank of Ethiopia*

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Performance management system has become the backbone of any organization specifically in competitive industries like banking, pharmacy etc wherein increasing cut throat competition is new buzzword and survival of the fittest has become the realities of the day (Gupta, 2012). Performance management is a total company system, built into all HR activities concerned with looking to the future, to improvements, challenges and opportunities. Performance management is a continuous process, integrated totally with the way the organization is run (Stredwick, 2005). Performance management system is considered to be one of the strongest tools for developing human asset as it lays the foundation for training, promotion, career planning and competency mapping etc (Gupta, 2012).

Performance management can be defined as a systematic, continuous and flexible process for improving organizational performance by developing the performance of individuals and teams (Armstrong, 2006). Performance management is a means of getting better results by providing the means for individuals to perform well within an agreed framework of planned goals, standards and competency requirements (Aguinis, 2013). It exists for establishing shared understanding about what is to be achieved, and for managing and developing people in a way that increases the probability that it will be in the short and longer term (Armstrong, 2006).

Performance management requires that managers ensure that employees' activities and outputs are congruent with the organization's goals and, consequently, help the organization gain a competitive advantage. Performance management therefore creates a direct link between employee performance and organizational goals and makes the employees' contribution to the organization explicit (Aguinis, 2013). Armstrong (2006) also indicates performance management involves managers and those whom they manage acting as partners within a framework that sets out how they can best work together to achieve the required results. It provides the basis for regular and frequent dialogues between managers and individuals about performance and development needs, in which performance improves over time.

Stredwick (2005, p.288) demonstrated the importance of employees' performance management as:

“To all intents and purposes, an organization is judged by its performance. Organizations can perform well or poorly due to external forces ...however, the majority of economists and commentators agree that the biggest influence on organizational performance is the quality of the labor force at all levels of the business. Teams of highly skilled, trained and motivated employees will nearly always overcome most of the difficulties created by external forces while a poorly motivated, untrained and unskilled labor force will nearly always fail to take advantage of favorable external opportunities. Given this situation, it could be argued that the most important role for human resources (HR) is to raise the performance of employees in the organization. To do this, employees' performance has to be managed and this is not an easy job.”

The efficient implementation and effectiveness of performance management system depends upon the behavioral factors of the employees and manager, and as how the managers beguiled the employees towards performance management system (Qureshi et al. 2010).

Improved individual employee performance could improve organizational performance as well. Therefore, employee performance could be simply understood as the related activities expected of a worker and how well those activities were executed. Many business personnel directors assess the employee performance of each staff in order to help employees identify areas for improvement (Zhang, 2012). This shows performance management system takes strong commitment from all stakeholders more importantly employees who are major participants in the process and also practice the procedure and documents in action. Therefore, it is important to assess how performance management is practiced and also investigate challenges i.e. lack of alignment, commitment, measurements faced by the system in order to improve both performance and the system implemented.

1.2 Background of the organization

Commercial Bank of Ethiopia is the leader of all the commercial banks in Ethiopia both in market share as well as customer base. Established in 1942, the bank is pioneer to introduce

modern banking to Ethiopia and credited for playing a catalytic role in the economic progress and development of the country. It has more than 1,250 branches launched throughout the country as of December 31, 2017 and more than 33,000 employees. The bank's strategic direction strives towards these two themes which recognize instituting modern HR practices as critical aspect of strategy implementation tools. To this end, the bank has revised its HR practices instituting an employee performance management system with its latest context which was one among the other human resource development strategic initiatives.

Related to performance management, Commercial bank of Ethiopia has designed employee performance management system as one major aspect of its human resource development strategy in consultation with the Frankfurt school of finance and management consultants since July , 2014 (public website of CBE). In general, CBE uses framework for its PMS which includes: ensuring employee readiness, performance planning, data tracking, performance coaching and feedback, quarterly performance appraisal, managing performance appraisal grievances, developing an employee performance development plan and rewarding performance.

Commercial bank of Ethiopia (CBE) is one of commercial banks in Ethiopia established to perform major banking functions by deploying highly motivated, skilled and disciplined employees as well as state-of-the-art technology. Since employees are one of the major resources of the bank and the ones who transform the mission and vision in to action, successful practice of performance management system is a vital. Hence, the research assesses the practices of employee performance management and challenges of performance management at CBE.

1.3 Statement of the Problem

It is well known that an organization achieves the desired objective having resources like materials, information, capital and human resources. People as human assets are the “glue” that holds all the other assets, such as financial and physical ones, together and guides their use to better achieve results. Many organizations have identified that having their human resources as core competencies differentiates them from their competitors and is a key determinant of competitive advantages (Mathis & Jackson, 2011).

Without human resource other factors of production are useless and idle. Compared to other factors of production human resource is the only factor of production which produces more than

its input. Human resources can also be mobile, motivated and gain more knowledge and skilled in the long run, where the other resources goes depleting (Abdurezak & Girma, 2014).

In today's globalized world, it is relatively easy to gain access to the competition's technology and products. Thanks to the Internet and the accompanying high speed of communications, technological and product differentiation is no longer a key competitive advantage in most industries. So, what makes some businesses more successful than others and today's key competitive advantage is people (Aguinis, 2013).

Organizations with motivated and talented employees offering outstanding service to customers are likely to pull ahead of the competition, even if the products offered are similar to those offered by the competitors. Only human capital can produce a sustainable competitive advantage. And, performance management systems are the key tools that can be used to transform people's talent and motivation into a strategic business advantage (Ibid).

The overall purpose of performance management is to develop and improve the performance. In addition, managing the performance of employees will contribute a lot to the overall performance of the organization (Zhang, 2012). Therefore, it is important to assess the actual practice and challenges faced by the performance management system to indicate areas where the system is practiced well and also to indicate areas that need improvement.

This research assesses practices and challenges of employee performance management at Commercial bank of Ethiopia (CBE) in Bishoftu area. CBE as the leading commercial bank in Ethiopia provides numerous services by playing significant roles in the development of the country. CBE is also committed to best realizing of stakeholders' values through enhanced financial intermediation globally and supporting national development priorities by deploying highly motivated, skilled and disciplined employees.

In addition to this, the development of the bank and expanding bank industry in the country leads to the need to highly qualified and competent human resource in the industry. Therefore, CBE needs a well developed and implemented performance management system to be competitive in the international market, to enhance the performance of its employees and to provide highly motivated, skilled and disciplined employees to the industry.

Many organizations install PMS in their organizations, with the motivation to achieve better organizational results. In practice, organizations have difficulty in implementing a performance management system because its different dimensions (PM applications, roles profile, performance agreement, personal development planning performance and performance review) are not taken into considerations enough (Qureshi et al. 2010).

This research thus was initiated with the intention to assess the practices and challenges of EPM at Commercial bank of Ethiopia in order to fill the gap in the study area. Since CBE has recently designed its PMS and has started to implement it, from the broader perspective, this study might help the bank to see its progress in terms of the practice of the system and to depict areas of focus for the assurance of successful implementation of the system in the branches under study.

1.4 Research Questions

The research addressed the following research questions:

- ✚ What are the main purposes driving performance management in CBE?
- ✚ How does employee performance management system practiced in the bank?
- ✚ What are the challenges in implementing employee performance management system at the bank?

1.5 Research Objectives

The general objective of this study was to assess the practices and challenges of performance management at Commercial bank of Ethiopia and to suggest possible solution for the actual problems.

The study had the following specific objectives.

- ✚ Identify the main purposes driving performance management system in CBE.
- ✚ To investigate the performance management practices in the bank.
- ✚ To assess the challenges faced while implementing performance management system.

1.6 Significance of the Study

Great performance management increases the quality of decisions made with respect to human resource: human resource planning, training and development, recruitment and selection, career planning and development, compensation programs, internal employment relations and

assessment of employee potential. Subsequently, the attainment of organizational goals will be greatly improved.

The researcher strongly believes that the result of the research gives the following benefits, among others.

- ✚ Since CBE has recently designed its PMS and has started to implement it, from the broader perspective, this study might help the bank to see its progress in terms of the effective practice of the system and to depict areas of focus for the assurance of successful implementation of the system.
- ✚ This study could fill the gap by examining the practices and challenges of performance management in CBE.
- ✚ The study could also be used as input for those who are interested to undertake further research on the subject matter.
- ✚ It might be an input for other organizations who are interested in designing and implementing a performance management.

1.7 Scope of the Study

The scope of this study did not include other elements of the organization's human resource management programs other than practices and challenges of performance management. And also did not cover other elements of the company's overall business practice. The scope of this research focused only on the employees' performance management practices and challenges which did not cover group/team performance management aspect of PMS.

Though, CBE had more than 1,250 branches launched throughout the country as of December 31, 2017 and more than 33,000 employees, the study was limited only on employees of the bank who were working at Bishoftu city .The city (Bishoftu) is located in Oromia region, East Shewa 45 km from Addis Ababa.CBE had eight branches in Bishoftu on which six branches with experience of at least more than one year were selected for the research. As a result of time and resource constraints, this research also used sample instead of total target population.

1.8 Limitation of the Study

The study was bounded only to the area of assessment of practices and challenges of EPM in CBE. The study was limited to branches located around Biahoftu area; other branches of the

bank were not studied due to different constraints. So the research focused on only employee performance management aspects, other aspects of PMS and human resource management areas were not addressed.

Another limitation of the study was the findings might not be generalized to other areas of CBE and also other commercial banks in the country, other organizations, government and private sector industries in Ethiopia.

1.9 Definition of Terms

HRM - human resources management is a strategic and coherent approach to the management of an organization's most valued assets-the people working there who individually and collectively contribute to the achievement of its objectives (Armstrong, 2006).

PM - performance management is a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization (Aguinis, 2013).

Performance - performance means the process where employees with their engagement of knowledge and skills perform the work through the realization of their objectives effectively (Osmani & Maliqi, 2012).

Challenge - the situation of being faced with something that needs great mental or physical effort in order to be done successfully and therefore tests a person's ability. It can also be defined as to cause difficulties for someone or something (Cambridge business English dictionary, 2018).

Practice - can be defined as actual application or use of an idea, belief, or method, as opposed to theories relating to it. It can be also defined as what actually happens as opposed to what is meant or believed to happen (Oxford dictionary, 2018).

1.10 Organization of the Study

The study has comprised five chapters for which the first chapter covers the background of the study and organization, statement of the problem, research questions, objective of the study, significant of the study, scope of the study, limitation of the study and definition of Terms. Under chapter two the related literature was presented. Chapter three covers the research methodology incorporating; description of the study area, research design, research approach, population and sample, data Sources and types, data collection procedures, reliability and

validity, data analysis and ethical consideration. Chapter four includes the data presentation, analysis and interpretation part. Finally, chapter five covers the findings, conclusion and recommendation parts.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter introduces the literature review to provide a theoretical ground for the study. It also identifies the research issues that addresses and provides conceptual framework of the study.

2.1.1 Performance

Armstrong & Taylor (2014) defined performance as behavior that accomplishes results. The term performance refers to a set of outcome produced during a certain period of their job time and does not refer to the traits, personal characteristics, or competencies of the performer. The evaluation of employee's performance reveals the contribution of an individual in the organization's objectives (Toppo & Prusty, 2012).

According to Campbell et al. (1993) as cited by Smither & London (2009) stated that performance is 'something that people actually do and can be observed . . . performance is what the organization hires one to do, and do well. Performance is not the consequence or result of action, it is the action itself.'

Performance means the process where employees with their engagement of knowledge and skills perform the work through the realization of their objectives effectively (Osmani & Maliqi, 2012). Therefore, performance is about job related requirement expected of a worker and how well they are put in to action.

2.1.2 Performance appraisal

Often performance management is confused with one of its key components - performance appraisal. Performance management is a series of activities designed to ensure that the organization gets the performance it needs from its employees (Mathis and Jackson, 2011). Mathis and Jackson (2011) define performance appraisal as the process of determining how well employees do their jobs relative to a standard and communicating that information to them.

Dessler (2013) agrees performance appraisal as a means of evaluating an employee's current and/or past performance relative to his or her performance standards. Dessler (2013) also stated

that performance appraisal systems usually rely on paper forms, or perhaps online or computerized appraisal forms.

Armstrong (2006) describes performance appraisal as top-down assessment annual appraisal meeting, use of ratings monolithic system focus on quantified objectives and often linked to pay bureaucratic-complex paperwork owned by the HR department.

2.1.3 Performance management

According to Aguinis (2013) performance management is a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization. He considers the definition's two main components: the first component is continuous process which means ongoing, involves a never ending process of setting goals and objectives, observing performance, and giving and receiving ongoing coaching and feedback.

The second component is alignment with strategic goals. Performance management requires that managers ensure that employees' activities and outputs are congruent with the organization's goals and, consequently, help the organization gain a competitive advantage. Performance management therefore creates a direct link between employee performance and organizational goals and makes the employees' contribution to the organization explicit (Ibid).

Armstrong (2006) has explained performance management as a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. Processes exist for establishing shared understanding about what is to be achieved, and for managing and developing people in a way that increases the probability that it will be achieved in the short and longer term.

Dessler (2013) pointed out that performance management means continuously making sure that each employee and team's performance makes sense in terms of the company's overall goals. Performance management is a uniquely goal-oriented and continuous way to appraise and manage employee's performance.

Performance management never means just meeting with a subordinate once or twice a year to review performance. It means continuous, daily, or weekly interactions and feedback to ensure

continuous improvement. Performance management is always goal-directed. Strategic congruence is central to performance management: each employee goals must be aligned with departmental and company goals. Performance management means continuously reevaluating and (if need be) modifying how the employee and team get their work done. Depending on the issue, this may mean additional training, changing work procedures, or instituting new incentive plans, for instance (Dessler, 2013).

Stredwik (2005) further elaborated that performance management is a total company system, built into all HR activities – recruitment, training, reward and relations. The appraisal process all too often looks backwards, looking for excuses and blame, while performance management is more concerned with looking to the future, to improvements, challenges and opportunities. And performance management is a continuous process, integrated totally with the way the organization is run.

Performance management (PM) is the process of managing the execution of an organization's strategy. It is how plans are translated into results. Think of PM as an umbrella concept that integrates familiar business improvement methodologies with technology (Cokins, 2004).

Performance management system is an important tool to help organization to achieve its goal. Both individual skills and contributions and organizational objective measurement is needed to develop the important element of the organization, which is human capital. Employees are the critical factor in performance management system, where well designed model of system will result strong management commitment and better employees' performance which lead to organization's success. With to proper use, performance management system is remarkably beneficial to an organization (Zulystiawati, 2014).

Mathis and Jackson (2010) demonstrated performance management is a series of activities designed to ensure that the organization gets the performance it needs from its employees. The performance management process starts by identifying the strategic goals an organization needs to accomplish to remain competitive and profitable. It can also provide a unified approach to dealing with individual career development, links organizational strategy to ultimate results, enables a company to convert overall strategy into results that support the mission and objectives.

In addition, an effective performance management system should: make clear what the organization expects, provide performance information to employees, identify areas of success and needed development and document performance for personnel records (Ibid).

Poorly implemented PMS will fail to motivate employees, and inevitably their lack of job satisfaction will impact negatively on their self-esteem, productivity levels and outputs. The negative consequences or disadvantages of poorly implemented PMS as explained by Aguinis (2005) includes:

- ✚ increased employee turnover if the process is perceived as unfair;
- ✚ false or misleading information may be used due to lack of standardized system in place;
- ✚ low self esteem due to inappropriate and inaccurate way of providing feedback;
- ✚ waste of resources in the form of time and money that negatively affects the organization's return on investment;
- ✚ relationships are damaged as a consequence of a deficient system;
- ✚ negatively affects motivation to perform mainly due to failure to translate good performance in to meaningful rewards;
- ✚ employees suffer from job burnout and job dissatisfaction for the main reason that if the system is perceived as it is not fair and performance assessment tool is considered as invalid ;
- ✚ increased risk of litigation filed by employees who feel they have been appraised unfairly;
- ✚ unjustified demands made up on managers' resources due to the consequences of poorly implemented systems do not provide the benefits of well implemented systems, rather they take up managers' time that leads to resistance and even avoidance of the system;
- ✚ Standards and ratings may vary and unfair across and even within units replaced by personal values, biases and relationships; and because of poor communication, employees may not know how their ratings are generated or how the ratings are translated into rewards leads to mystery.

2.2 Purposes of performance management

Information collected by a performance management system can be for different purposes. In general Aguinis (2013) asserted that performance management system can serve for the following purposes: strategic, administrative, information, developmental, organizational maintenance, and documentation. Let's consider each of these purposes in turn.

2.2.1 Strategic Purpose

By linking the organization's goals with individual goals, the PMS reinforces behaviors consistent with the attainment of organizational goals. Moreover, even if for some reason individual goals are not achieved, linking individual with organizational goals serves as a way to communicate what are the most crucial business strategic initiatives.

2.2.2 Administrative Purpose

The second function of performance management systems is to furnish valid and useful information for making administrative decisions about employees. Such administrative decisions include salary adjustments, promotions, retention or termination, recognition of individual performance, identification of poor performers, layoffs and merit increases. So the implementation of reward systems based on information provided by the performance management system falls within the administrative purpose.

2.2.3 Information Purpose

Performance management systems serve as an important communication device. First, they inform employees about how they are doing, and provide them with information on specific areas that may need improvement. Second, related to the strategic purpose, they provide information regarding the organizations and the supervisor's expectations, and what aspects of work the supervisor believes are most important.

2.2.4 Developmental Purpose

As noted above, feedback is an important component of a well-implemented performance management system. This feedback can be used in a developmental way; for the identification both of strengths and weaknesses and of the causes of performance deficiencies. Of course, feedback is useful only to the extent that remedial action is taken and concrete steps are implemented to remedy any deficiencies. And feedback is useful only when employees are

willing to receive it. Another aspect of the developmental purpose is that employees receive information about themselves that can help them tailor their career paths.

2.2.5 Organizational Maintenance Purpose

A fifth purpose of PMS is to provide information to be used in workforce planning. Workplace planning is a set of systems that allows organizations to anticipate and respond to needs emerging within and outside the organization, to determine priorities, and to allocate human resources where they can do the most good. An important component of any workforce planning effort is the talent inventory, which is information on current resources. PMS are the primary means through which accurate talent inventories can be assembled. Other organizational maintenance purposes include assessing future training needs, evaluating performance achievements at the organizational level, and evaluating the effectiveness of HR interventions. These activities cannot be conducted effectively in the absence of a good performance management system.

2.2.6 Documentation Purpose

Finally, PMS allows organizations to collect useful information that can be used for several documentation purposes. First, performance data can be used to validate newly proposed selection instruments. Second, performance management systems allow for the documentation of important personnel decisions.

2.3 Stages of Employee Performance Management

Dessler (2013) summarizes performance management's six basic elements as follows: direction sharing, goal alignment, ongoing performance monitoring, ongoing feedback coaching and developmental support and also recognition and rewards.

According to Armstrong and Taylor (2014), the key processes involved during the performance management cycle are concluding performance and development agreements, performance planning, and personal development planning, managing performance throughout the year, conducting performance reviews and assessing performance.

Zhang (2012) has also elaborated it further by defining the EPM frame work incorporated the steps; developing and planning performance, managing and reviewing performance, and rewarding performance.

Mathis and Jackson (2010) also stated that performance management starts with the development and understanding of organizational strategy, and then dovetails into a series of steps that involves identifying performance expectations, providing performance direction, encouraging employee participation, assessing job performance, and conducting the performance appraisal.

Rowley and Jackson (2011) explained the performance management process consists of three parts: performance planning, observing performance and providing positive and corrective feedback, and developing periodic performance summaries.

Performance management is an umbrella-like concept covering the tightly integrated and universally applicable methodologies of strategic planning, scorecard measurements, budgeting, costing, forecasting resource requirements, and financial consolidations (Cokins, 2004).

From the different literatures depicted by the scholars it is implied that there are different ways of approaches that the PM frame work can be sketched with the ultimate aim of supporting the effective implementation of the PM as a system and to use as a monitoring and evaluation mechanism for any flaws within the system as compared to the expected out comes from each step and the PM system from the broader perspective.

Though there are differences in the approaches to draw the frame work by the scholars as disclosed above, the essence of the major steps of the performance management system incorporates the preparation step/ the prerequisites step; performance planning step (setting the individual objectives and targets); performance execution ;the performance assessment /evaluation (appraisal) step; performance review the ,rewarding and development (as an outcome of the appraisal) at which the absence of one of these steps and tasks affects negatively the effectiveness of the performance management system(Smither and London,2009) .

2.3.1 Prerequisites /Preparing to Start the Process

Torrington, Hall & Taylor (2008) demonstrated that there is an assumption that before organization is able to plan and manage individual performance the organization will have to made significant steps in identifying the performance required of the organization as a whole. In most cases this involves a mission statement so that performance is seen within the context of an overriding theme and also strategic business objectives that are required within the current business context to be competitive and align with the organization's mission statement

(Torrington, Hall & Taylor 2008). Therefore, before implementing performance management system prerequisites: identifying mission, strategic goal and job in position are necessary.

Smither and London (2009, p.12) further elaborated that;

‘There are two important prerequisites that are needed before a performance management system is implemented: (1) knowledge of the organization’s mission and strategic goals and (2) knowledge of the job in question. If there is a lack of clarity regarding where the organization wants to go, or the relationship between the organization’s mission and strategies and each of its unit’s mission and strategies is not clear, there will be a lack of clarity regarding what each employee needs to do and achieve to help the organization get there. Once the goals for the entire organization have been established, similar goals cascade downward, with departments setting objectives to support the organization’s overall mission and objectives. The cascading continues downward until each employee has a set of goals compatible with those of his or her unit and the organization.’

Aguinis (2013) agrees on the two important prerequisites that must exist before the implementation of a successful performance management system. First, there is a need to have good knowledge of the organization’s mission and strategic goals. This knowledge, combined with knowledge regarding the mission and strategic goals of their unit, allows employees to make contributions that will have a positive impact on the unit and on the organization as a whole. Second, there is a need to have good knowledge of the job in question: what tasks need to be done, how they should be done, and what KSAs (knowledge, skills and abilities) are needed. This is done through job analysis. Job analysis is a process of determining the key components of a particular job, including activities, tasks, products, services, and processes.

2.3.2 Performance Planning

Performance planning is the first crucial component of any performance management process which forms the basis of performance appraisals. Performance planning is jointly done and the review in the beginning of a performance session. During this period, the employees decide upon the targets and the key performance areas which can be performed over a year within the

performance budget, which is finalized after a mutual agreement between the reporting officer and the employee (Gudla and Veni, 2012).

Performance planning is also the bedrock of an effective performance management system. The performance planning discussion gives the manager the chance to talk about expectations and what is genuinely important in the individual's job. It gives the individual a clear operating charter so that he/she can go about doing his/her job with the full certainty that he's /she's working on the highest priority responsibilities and operating in a way that the organization expects(Grote,2002).

As demonstrated by Grote (2002), performance planning includes four major activities; coming to agreement on the individual's key job responsibilities, developing a common understanding of the goals and objectives that need to be achieved, identifying the most important competencies that the individual must display in doing the job and creating an appropriate individual development plan.

Performance planning is based on performance agreements on how performance will be measured and the evidence that will be used to establish levels of competency. The manager and the individual also agree on what the latter needs to do to achieve objectives, raise standards and improve performance (Armstrong and Taylor, 2014).

Armstrong and Taylor (2014) also stated expectations are defined generally in role profiles that specify key result areas; the knowledge, skills and abilities (KSAs) required and the behavioral competencies needed to perform well. In this stage what has to be accomplished in key result areas can be defined in the form of objectives or targets. An important aspect of performance planning is the process of aligning individual goals with the strategic goals of the organization.

At the beginning of the performance management cycle, it is important to review with employees their performance expectations, including both the behaviors employees are expected to exhibit and the results they are expected to achieve during the upcoming rating cycle. Behaviors are important because they reflect how an employee goes about getting the job done how the individual supports the team, communicate, mentors others and so forth (Pulakos, 2004).

Behavioral and results expectations should be tied to the organization's strategic direction and corporate objectives. In fact, if developed and implemented properly, performance management systems drive employees to engage in behaviors and achieve results that facilitate meeting organizational objectives (Ibid).

The performance planning stage has the goal for employees to have a thorough knowledge of the performance management system. The cascading continues downward until each employee has a set of goals compatible with those of his or her unit and the organization. In fact, at the beginning of each performance cycle, the supervisor and the employee meet to discuss, and agree on, what needs to be done and how it should be done. This performance planning discussion includes a consideration of results, behaviors and development plan (Smither and London, 2009).

As summarized by Torrington et al. (2008) individual objectives derived from team objectives and an agreed job description can be jointly devised by manager and employee. These objectives are outcome/results oriented rather than task oriented, are tightly defined and include measures to be assessed. The objectives are designed to stretch the individual, and offer potential development as well as meeting business needs.

The critical point about a shared view of performance suggests that handing out a job description or list of objectives to the employee is not adequate. Performance expectations need to be understood and, where possible, to involve a contribution from the employee. Expressing objectives as a 'what' statement rather than a 'how' statement gives employees the power to decide the appropriate approach once they begin to work on the issue. Incorporating employee input and using 'what' statements are likely to generate a higher degree of employee ownership and commitment (Torrington et al. 2008).

Performance targets should be SMART enough since this step of the performance management process is an essential step in laying the ground work for effective review of performance at the end of the performance appraisal period. The term SMART refers to (Armstrong and Taylor 2014)

Specific: specify clearly what and when it is to be done, who is to accomplish it and how much is to be accomplished.

Measurable: multiple measures should be used if possible, for example, quantity, quality, time frame and cost.

Attainable: assure there is reasonable path to achievement and feasible odds to get there.

Realistic: the objective needs should match the level of complexity with the employee's experience and capability and no insurmountable forces outside the control of the employee should hinder its accomplishment.

Time-bound: be clear about the time frame in which performance objectives are to be achieved. In most cases, objectives are to be completed.

2.3.3 Performance execution

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

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

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

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

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

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

Smither & London (2009) also stated that supervisors have primary responsibility over the following issues:

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

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

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

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

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

2.3.4 Performance Assessment

Performance assessment remains an essential part of managing an organization and the people within it. The crucial parts of the assessment process are to provide accurate feedback of

assessment and to link assessment to jobs and organizational objectives (Rowley & Jackson, 2011).

Smither & London (2009) also agreed that in the assessment phase, both the employee and the manager are responsible for evaluating the extent to which the desired behaviors have been displayed, and whether the desired results have been achieved. Although many sources can be used to collect performance information (e.g., peers, subordinates), in most cases the direct supervisor provides the information (Ibid).

Aguinis (2013) summarizes the importance of performance assessment and involvement of employee and managers as: the core of any performance management system is the assessment of performance. This also includes an evaluation of the extent to which the goals stated in the development plan have been achieved. It is important that both the employee and the manager take ownership of the assessment process. When both the employee and the supervisor are active participants in the evaluation process, there is a greater likelihood that the information will be used productively in the future. Employee involvement in the process increases employee ownership and commitment to the system. In addition, it provides important information to be discussed during the performance review, which is discussed next.

Grote (2002) mentioned the manager has eight primary responsibilities in the performance assessment phase:

1. Review the original list of competencies, goals, objectives, and key position responsibilities.
2. Prepare a preliminary assessment of the employee's performance over the entire year.
3. Review the individual's list of accomplishments and the self appraisal.
4. Prepare final assessment of the employee's performance.
5. Write the official performance appraisal using the appraisal form.
6. Review the appraisal with manager and obtain concurrence.
7. Determine any revisions needed to the employee's key position responsibilities, goals, objectives, competencies, and development plans for the next appraisal period.
8. Prepare for the performance review meeting.

Grote (2002) also mentioned individual responsibility to review, assess performance and accomplishments, to send accomplishments and achievements to appraiser, write a self-appraisal, consider any revisions needed and prepare for the performance review meeting.

According to Armstrong (2006) there are seven ways of assessing performance: which includes overall analysis of performance/ overall assessment, written assessment (narrative) of performance, rating forced distribution, forced ranking, quota system and visual assessment.

An important component of the performance assessment stage is the use of appraisal forms used to document and evaluate performance. Appraisal forms usually include the following components basic employee information, accountabilities, objectives, and standards, competencies and indicators, major achievements and contributions, developmental achievements, developmental needs, plans, and goals, stakeholder input, employee comments and signatures (Aguinis, 2013).

2.3.5 Performance Review

Performance review is the phase of an effective performance management system. It involves the individual and the manager discussing the performance appraisal document that the manager has created. The performance management both ends and begins a new with the performance review meeting. At the beginning of the meeting, the individual's past year's performance is reviewed and the success of the development plan is evaluated. At the end of the meeting, the appraiser and the individual set a date to create the plan for next year's goals, objectives, and development (Grote, 2002).

Rowley & Jackson (2011) also indicated performance review is the formal assessment phase that is focused on the achievement of goals and objectives – how performance can be improved as well as developmental needs. A formal review meeting typically happens at the year- end; sometimes a mid- year review may be included.

Performance appraisal means evaluating an employee's current and/or past performance relative to his or her performance standards and setting work standards, assessing the employees' actual performance relative to those standards, and providing feedback to the employee (Dessler, 2013).

This stage involves the meeting between the employee and the manager to review their assessments. The meeting is important because it provides a formal setting in which the

employee receives feedback on performance and regarded as a review of the past, that is, what was done (results) and how it was done (behaviors) (Smither & London, 2009).

According to Torrington et al., (2008) regular formal reviews are needed to concentrate on developmental issues and to motivate the employee. Also, an annual review and assessment is needed, of the extent to which objectives have been met – and this may well affect pay received.

Armstrong and Taylor (2014, p.338) describe performance review saying that:

‘Performance review should be rooted in the reality of the individual’s performance. It is concrete, not abstract, and it allows managers and individuals to take a positive look together at how performance can become better in the future and how any problems in meeting performance standards and achieving objectives can be resolved. Individuals should be encouraged to assess their own performance and become active agents for change in improving their results. Managers should be encouraged to adopt their proper enabling role: coaching and providing support and guidance.’

Assuming that feedback has been provided on an ongoing basis, the formal performance review session should simply be a recap of what has occurred throughout the rating period. In other words, there should be no surprises in the performance review. During this meeting, managers should discuss with employees their ratings, narratives and rationale for the evaluation given (Pulakos, 2004).

Pulakos (2004) demonstrated the performance review session is also a good time to plan developmental activities with employees. In some organizations, pay, promotion decisions and other administrative actions are also discussed during the performance review session. In others, separate meetings are held to discuss administrative actions. The rationale for not discussing rewards or other outcomes during this session is to enable a more open discussion about employee development needs. As a practical matter, however, it can be difficult to schedule multiple performance management meetings between managers and employees to discuss different aspects of the process (e.g., evaluations, development, and rewards).

2.3.6 Development plan

As mentioned by Stredwick (2005) there are two major outcomes, which follow from an effective performance management system: rewards and development. Smither and London (2009) also described good development planning as a critical part of successful performance management and it is important for the supervisor and employee to agree on a development plan before review cycle.

According to Stredwick (2005) development can take two forms. The first is career development, where performance data can influence, often decisively, promotion decisions. The second is a personnel development plan for the employee to help those areas where performance is weak. In other words, the performance management system acts as a training needs analysis.

At a minimum, this plan should include identifying areas that need improvement and setting goals to be achieved in each area. Development plans usually include both results and behaviors (Aguinis, 2013).

Reyna & Sims (1995) as cited by Smither and London (2009) mentioned achieving the goals stated in the development plan allows employees to keep abreast of changes in their field or profession. Such plans highlight an employee's strengths and the areas in need of development, and they provide an action plan to improve in areas of weaknesses and further develop areas of strength.

Developing employee performance furthers the mission of the organization and enhances the overall quality of the workforce within the organization by promoting a climate of continuous learning and professional growth; helping to sustain employee performance at a level which meets or exceeds expectations; enhancing job or career-related skills, knowledge and experience, enabling employees to keep abreast of changes in their fields, promoting affirmative action objectives and motivating employees (Mahapatro, 2010).

An important component of the performance management process is development of employees' work-related skills, knowledge and experience. Performance development plans may be considered at each stage of the performance management process. The development process offers another opportunity to work collaboratively to improve or build on performance and to contribute to organizational effectiveness (Mahapatro, 2010).

Personal development plans are based on an understanding of what people do, what they have achieved, what knowledge and skills they have and what knowledge and skills they need. A personal development plan include formal training but, more importantly, it will incorporate a wider set of development activities such as self-managed learning, coaching, mentoring, project work, job enlargement and job enrichment (Armstrong,2006).

According to Armstrong and Taylor (2014) Stages of personal development planning includes: analyses current situation and development needs, Set goals, Prepare action plan and implement. Personal development planning is carried out by individuals with guidance, encouragement and help from their managers, usually on the basis of performance and development reviews.

2.3.7 Reward of Performance

Rewarding performance needs the shared understanding and ownership of all employees of the organization as employee's involvement and contribution towards their self development. As mentioned by Rowley & Jackson (2011) rewarding is the systematic process of linking performance targets with accompanying rewards. This can be as merit pay, commissions, incentive pay, and so on.

As PM is a process that is done in partnership with employees, it is important to address how it benefits the employees due to the fact that it is unrealistic to expect them to participate in a partnership if there are no payoffs for them.

Tyson (2006, p. 211) summarizes that reward:

‘The reward review is the process whereby managers have to decide who deserves increments, bonuses and other tangible incentives based on individual performance. It is a potentially uncomfortable and contentious situation because inevitably there will be winners and losers and the potential exists for charges of unfair treatment. These problems are always likely to occur, however sound scheme may be, but it is obviously vitally important to give thought in preparation and practice to ensure that any scheme for reward review is as fair and efficient as it can be.’

Reward effectiveness has been contingent on the ability to link individual or team performance to meaningful rewards, a timely provision of rewards and administered close to performance.

When employees believe in the performance measures and accept the reward systems, then their performance can be enhanced (Smither & London, 2009).

Reward is concerned with how people should be recognized for doing it. Performance management and reward management are closely associated topics that play an important part in achieving one of the key goals of HRM – to contribute to the development of a high-performance culture (Armstrong and Taylor, 2014).

Performance management, if carried out properly, can reward people by recognition through feedback, the provision of opportunities to achieve, the scope to develop skills, and guidance on career paths. All these are non-financial rewards that can encourage job and organizational engagement and make a longer-lasting and more powerful impact than financial rewards such as performance-related pay (Ibid).

Performance management can provide for a whole range of rewards in order to encourage job engagement and promote commitment. These rewards can take the form of recognition through feedback, opportunities to achieve, the scope to develop skills, and guidance on career paths. All these are nonfinancial rewards, which can make a longer-lasting and more powerful impact than financial rewards (Armstrong, 2006).

2.4 Challenges of performance management system

The performance management challenge in organizations has many dimensions in today's business environment and creating focused initiatives to overcome these challenges is not a silver bullet approach. (Adapted from Dr Marko Saravanja (2010) with modification)

1. Lack of Alignment

The first challenge is the lack of alignment due to various organizational processes being created in isolation. The link between strategy development, budgeting and operational planning is developed by different groups of people with different frameworks being used. The performance management system lacks alignment between individual performance, departmental performance and organizational delivery and so all systems default back to financial measurements.

2. Lack of Measurements

The second challenge happens at various levels of the organization in that poor measures are developed, in many cases targets are set but no relevant measure is put in place. In other cases no data can be collected or is kept as evidence to track performance.

3. Leadership and Management commitment

The leadership and management challenge has a huge impact on integrating and aligning a management system to deliver a comprehensive performance management system. The commitment and understanding of leadership and management of the requirements for achieving a workable performance system is critical to performance success.

4. Managing of the performance system

Managing a performance system in an organization requires a disciplined framework; it requires the organization to work off one master plan broken down into relevant parts and areas of responsibility. The management responsibility at various levels needs to understand the contracting, measurement development and appraisal process very well and apply it consistently. Secondly management needs to appreciate that performance management is not an event but something that is managed daily but recorded and reported at certain times through reviews and appraisals.

5. Managing poor performance

The management of poor performance is normally a reactive action, but in many cases it is delayed and therefore turns into a discussion that is difficult to make relevant. Another reason poor performance is not managed on time is the lack of valid measurements and the collection of required evidence and measurement data.

6. Skill Gap

All those involved in the performance management system must possess appropriate knowledge, attitudes and skills to utilize the system. The following are major skills required: development of performance indicators, key results areas, core management competencies and performance agreements, measurement of performance indicators, communication of results and feedback, monitoring and evaluation of the performance management system. Proactive training and development interventions should be implemented to ensure that the users of the performance management system are continuously developed. Special emphasis should be given to soft skills and the behavioral aspects of performance.

2.5 Empirical Review

The study conducted by Melat (2014), at the Ethiopian Management Institute on performance management practice indicates that organizational goal were not fully aligned with individual and departmental goal, participation of employee's in planning stage of PMS is not across all staffs of the organization, lack of regular feedback, high level of bias from supervisors and lack of uniformity in gathering information on employee's performance are major problems in PMS implementation. Melat (2014) indicated, well defined mission, vision and core values, well defined of performance management system, identified customer value propositions, clearly developed strategy map were relatively the strong accomplishments.

The findings of research conducted by Mulu (2016) indicated that employee performance management system has numerous benefits. Among them; it has created role clarity among employees, enables to differentiate good and poor performers, created a constructive competition among staffs. The system has also helped to motivate employees and encourage development through creating communications between the employees and their supervisor or managers. It improves both individual and the bank's overall performance. However, Mulu (2016) has found that there were challenges; a tendency giving unbalanced goals for similar positions while they have equal job grades, no fair job rotation among employees, no sufficient resource allocation to execute their job properly, no clear mechanism in the bank to address the issue of underperformance.

Similarly, according to research conducted by Temesgen (2016) on the assessment of the implementation of PMS in CBE using the balanced score card (the case of selected branches under West Addis Ababa District), best practices in PMS implementation were clearly defined strategic objectives, alignment of banks strategic objective to that of individual and team objective in the bank is at an encouraging level though it is not fully done. In addition, creating duty conscious and employees a practice of recognizing best performers (at some of the branches) were best practices in PM implementation.

On the other hand, there are a number of challenges encountered that are obtained from the study (Temesgen, 2016). The following are constraints hindering implementation of PMS in the bank and areas which needs improvement: lack of participation of employees in corporate performance planning, low level of awareness about the concept and objective of PMS

,unavailability of training on PMS, goals and targets are neither attainable nor realistic (overambitious), feedback and coaching has given little attention, lack of managing and utilizing material and human resources to the maximum desired level and no linkage of employees performance with reward or sanction.

Ngumbau (2013) research on challenges of implementing PMS at the kenya electricity generating company (kengen) limited revealed challenges including; lack of clear link between annual corporate planning cycle and performance cycle, setting of weak performance measures and standards due to skills gaps, under-utilization of performance monitoring tools, the coaching and mentoring was not being used as a method of developing for performance. And also, the evaluation tool being used was not specific to different cadres of staff, subjectivity in rating due to weak measures, lack of skills by appraisers, lengthy approval process for bonus payment and inactive participation by line managers were revealed as challenges in implementing PMS.

2.6 Conceptual framework

The conceptual frame work below shows that, the first thing to start implementing performance management is knowledge of the organization's mission and strategic goals and the job in question for employees to perform well. Then, performance planning will take place to reach an agreement regarding performance, development plan and measurement criteria. Performance planning then will be followed by execution of performance with proper provision of resources, feedback, coaching, data sharing and documentation. Then after, periodic performance review and performance evaluation will take place. And then, employee development will be placed to help those areas where performance is weak and employees with best performance will be rewarded. Finally, performance will be renewed and the cycle will continue.

Practices of performance management

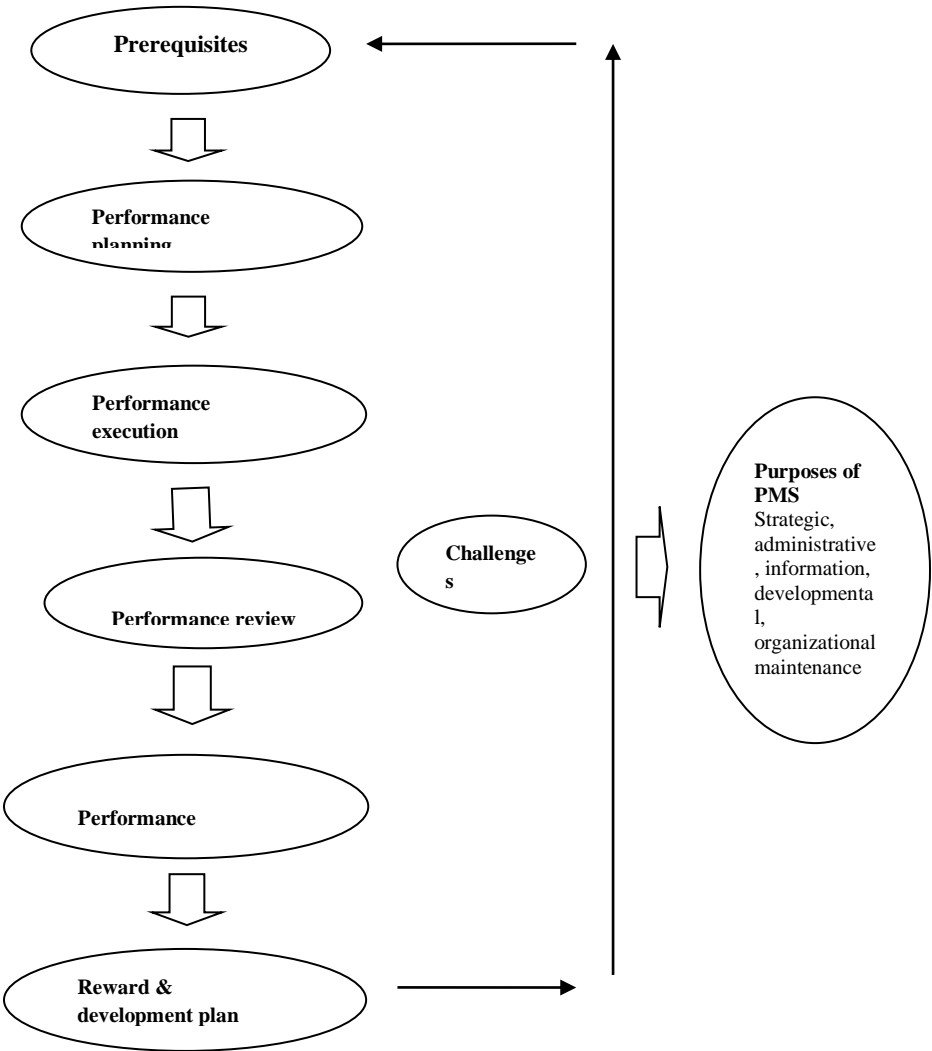


Figure: conceptual frame work

Source: Adopted from Aguinis (2013, p.39) with a modification to literature review

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter of the research provides research methodology that has been used in order to achieve the research objective.

3.1 Description of the Study Area

This study was limited to the CBE which only on branches existing at Bishoftu city. The study has been conducted on branches which have been implementing performance management at least more than a year. The scope of this paper has not included other elements of the organization's human resource management programs other than performance management practices and challenges faced. And also has not covered other elements of the company's overall business practice.

3.2 Research Design

This study used a descriptive type of research that sets out to assess employee performance management practices and challenges in Commercial Bank of Ethiopia as it exists. The major purpose of this type of research is description of the state of affairs as it exists at present (Sekaran, 2003). At times, descriptive research is concerned with how, what is or what exists is related to some preceding event that has influenced or affected a present condition or event (Cohen, Manion & Morrison, 2005).

3.3 Research Approach

This study has used mixed method to combine quantitative and qualitative results. A mixed methods approach is one which employs strategies of inquiry that involve collecting data either simultaneously or sequentially to best understand research problems(Creswell,2003). The data collection also involves gathering both numeric information as well as text information so that the final database represents both quantitative and qualitative information.

This study has began with a broad survey in order to generalize results to a population and then focused, in a second phase, on detailed qualitative, interviews to collect detailed views from participants. The discussion section first provides quantitative statistical results followed by qualitative quotes that supports or disconfirm the quantitative results.

3.4 Population and Sample

3.4.1 Population

The total population considered under this study was all employees of Commercial Bank of Ethiopia. It has more than 33,000 employees throughout the country as of December 31, 2017.

3.4.2 Target population

Commercial Bank of Ethiopia has more than 1,250 branches opened and giving service stretched all over Ethiopia. It will be unrealistic to even consider that this study would have to embrace all this branches. The target population in this study included staffs of six branches around Bishoftu area in South-Addis district of the bank. The target population considered for this study consists of employees of the bank working in Bishoftu. The bank has eight branches in the area. From these branches only six branches which are carrying out performance management practice for more than a year have been considered for the study. There are around 205 employees in the branches altogether.

3.4.3 Sampling Method and Sampling Techniques

The researcher used stratified random sampling method to select samples from the target population. According to Saunders, Lewis and Thornhill (2009), dividing the population into a series of relevant strata means that the sample is more likely to be representative, which can ensure that each of the strata is represented proportionally within the sample. Each of the six branches has been used as strata to collect data. Simple random sampling technique was implemented once the six strata's were identified. A purposive sampling technique was applied to select interviewees who were directly responsible with performance management system (managers of the branches). Using this method enable to have in depth knowledge from those who were in a position to give about the practice of performance management system at the bank.

3.4.4 Sample Size

The researcher tried to calculate the sample size by using Yamane (1967:886) a simplified formula to calculate sample sizes as quoted in Israel, 2013. Therefore, by using the sample size calculation formula, the researcher has determined the total sample size and for respective divisions proportionally.

$$n = N / 1 + N (e)^2$$

Where n is the sample size, N is the population size, and e is the level of precision. With the level of precision e = 5% and N= 205;

$$n = 205 / 1 + 205(0.05)^2$$

$$= 135.537$$

As a result, the total sample for this study was 136 employees.

Table3.1 Target population and sample size distribution

Branch	Target population	Sample size
Adea	28	18
Bishoftu	72	48
Bishoftu Menahariya	34	23
Hora Arsedi	20	13
LemlemTabiya	29	19
Turban Gerba	22	15
Total	205	136

Source: Branches of CBE, 2018

3.5 Data Sources and Types

This study used both methods of collecting data: primary and secondary. The primary data happen to be original in character and secondary data on the other hand, are those which have already been collected by someone else (Kothari, 2004).

The primary data has been collected through interview and questionnaires from Commercial Bank of Ethiopia employees working at Bishoftu city which included employees of Bishoftu, Hora Arsedi, Torban Gerba, Bishoftu Menahariy, Lemlem Tabiya and Adea branches. Employees of CBE were requested to fill the designed questionnaire. Employees were considered as the representative of the study because they are highly responsible in performing the day to day activities and also they are the active participants of performance management system. In addition to questionnaire, interview was held with seven managers to create an

opportunity to discuss about the issue briefly and to have concrete information about performance management system from both.

As secondary data various related literatures, performance management system policy and procedure, organizational booklet, journal and articles can be used to get data. Secondary data for this study was obtained from various books, journals, articles, PMS procedure of the bank, organizational booklet of CBE and public website of the organization.

3.6 Data Collection Procedures

The questionnaires were distributed to the employees at the branches based on the sample size from each population group. The questionnaire contained separate sections; first section deals with the personal profile of each respondent, the remaining section deals with questions related to the research topic. The questionnaire had closed-ended questions that include a five-point likert scale and some open ended questions.

After the questionnaires were distributed, the researcher collected and arranged the completed questionnaires, compiled the data for discussion and analysis. Finally, the collected data was inserted into data set and made ready for data analysis by using statistical package for social sciences (SPSS). Interview has been conducted to gather information on the subject from the managers of the bank. And the results were summarized and interpreted.

3.7 Reliability and Validity

3.7.1 Validity

Validity is concerned with whether the findings are really about what they appear to be about (Saunders, Lewis & Thornhill, 2009). It refers to the extent to which the measurement device, in this case the measurement questions in the questionnaire, provides adequate coverage of the investigative questions. Judgment of what is 'adequate coverage' can be made in a number of ways. One is through careful definition of the research through the literature reviewed and, where appropriate, prior discussion with others (Saunders, Lewis & Thornhill, 2009). To raise the validity of the research, the questionnaire was prepared according to literature reviewed and questionnaire was checked by the research advisor in order to maintain its validity.

3.7.2 Reliability

Reliability refers to whether or not to get the same answer by using an instrument to measure something more than once. ‘Instruments’ can be things like machines (apparatuses), scales, or can be questionnaire (Nayak & Singh, 2015). By convention, a good set of scale items should have a Cronbach’s alpha of 0.80 or higher. Therefore, cronbach’s alpha value obtained after inputting the data into SPSS application indicates the following values (table 3.2).

Variables	Cronbach's Alpha
purposes driving PMS(8 items)	.909
performance management practices(26 items)	.928
challenges of implementing PMS (5 items)	.881

Table 3.2 Reliability

3.8 Data Analysis

The data gathered from questionnaire was summarized and analyzed by using descriptive statistics like frequency, percentage and mean. Then the data was described using tables for more clarification. The data gained from interview, and document review has been analyzed as per the research basic questions. And then the findings were combined and summarized together with the quantitative data findings to triangulate the results accordingly. Triangulation may be defined as the use of two or more methods of data collection in the study of some aspect of human behavior (Cohen, Manion & Morrison, 2005).

3.9 Ethical Consideration

The researcher respected study respondents’ willingness to fill the questionnaires. And also the respondents were informed about the purpose of data collection and analysis while distributing the questionnaire papers and conducting interview. The information collected was used only for the study purposes. Confidential information of both the respondents and the bank would not be disclosed.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

Under this chapter, the data, its analysis and interpretation are presented. As mentioned in the previous chapters, the data was collected through questionnaire and interview.

In assessing the practice of the employee performance management system of CBE, the analysis goes through each of the constructs that addresses the frame work used in the study one by one keeping the chronological order set in the research question. Analyzing and interpreting the data according to the mean scores of the items as the mean scores reflect respondents' level of agreement which supports the interpretation and posing conclusions with the view of drawing practical and constructive recommendations. According to Zaidaton & Bagheri 2009 as cited by Kalkidan (2017) the mean score of five point Likert scale instrument, the mean score below 3.39 was considered as low, the mean score from 3.40 up to 3.79 was considered as moderate and mean score above 3.8 was considered as high.

The inputs collected from the open ended questions that address the challenge part under each construct are summarized. The descriptive analysis and interpretations of the data are presented as follows.

4.1 Demographic Characteristics of the Respondents

The summary in table 4.1 showed most of the respondents were males (68.66%), and above 21 years, had more than one year of experience in the bank. Most of the respondents had educational qualification of BA (81.34%), 11.11% of the employees had MA and only 7.55% of the respondents had less than degree. These aspects of the respondents have positive contribution on the validity of the study, for their age, educational qualification and experience allow them to knowledgably and reasonably rate the variables.

Table 4. 1 Demographic characteristics of the respondents

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

Source: Questionnaire data, 2018

4.2 Purpose of performance management in CBE

Table 4.2 below demonstrated the mean score of the data with respect to respondents. The table showed the mean score of 4.04 out of the maximum score of 5 and the mean score of all the specific items, which are, above the average score (3).

Table 4.2 Descriptive statistics for purpose of performance management

No		Mean		Std. Deviation	
1	I know the purpose of PMS in the bank	4.02	3.35	0.76	1.11
2	The PMS is clearly defined in the organization	3.21		1.18	
3	The PMS links the organization's goals with individual goals	3.44		1.17	
4	The PMS inform employees how they are doing	3.29		1.31	
5	The PMS provide employees with information on specific areas that may need improvement	3.17		3.29	
6	The PMS determine who gets promoted and salary increment	3.29		1.08	
7	The PMS provide information to be used in workforce planning	3.29		1.27	
8	The PMS allow for the documentation of important personnel decisions	3.06		1.22	

Source: Questionnaire data, 2018

Though, table 4.2 indicated, the mean value of purposes of performance management in general was above the average (3.35), which is considered as low. This illustrates more than half of the employees agreed performance management was used for the above mentioned purposes in the bank but it was not satisfactory enough.

Accordingly, most of the employees with the mean score of 4.02 (87.3%) agreed that the purpose of PMS in the bank is known. As it was demonstrated in the table 4.2, with mean score of 3.44 (56%) and 3.29 (53.8%) the respondents agreed the PMS links the organization's goals with individual goals and the PMS inform employees how they are doing, respectively. Mean score of 3.29 also shows that the respondents also agreed the PMS provide information to be used in workforce planning and determine who gets promoted and salary increment. This demonstrates that the bank has been using PMS for Strategic Purpose by linking the organization's goals with

individual goals. The bank also uses the system as an important communication device to furnish valid and useful information.

Whereas, the items which have relatively low mean score include, the performance management system is clearly defined in the organization (3.21), PMS provide employees with information on specific areas that may need improvement (3.17), and the performance management systems allow for the documentation of important personnel decisions (3.06). This reveals that trainings that aimed at equipping managers with the basic concept and purpose as well as process of PMS were not adequate enough.

Hence, having the basic understanding and ownership on their major roles and responsibilities with regard to performance management of their subordinates with the required competence to perform has positive impact on the effectiveness of the performance management system of the bank. However, the gaps with regard to the PMS not determine who gets promoted and salary increment, the PMS did not deliver employees with information on specific areas that may need improvement, and limited guidance given to employees on what was expected of them, have negative impact on PMS since they might fail to see the big picture, that is, the strategic alignment and congruence of their individual contribution to the bank's grand objectives might not be clearly visualized to them.

These points can further signify that the main purpose driving performance management in CBE was strategic purpose which is to link the organization's goals with individual goals.

In response to interview with managers, the managers indicated since the system was new to be implemented, it provided opportunity to communicate clearly defined objective between employee and management. According to most of the managers PMS was used to align objectives, to record employee information, to communicate information and to identify training needs.

4.3 Practice of employee performance management at CBE

An analysis of the means scores and standard deviations for practices of performance management stages revealed an aggregate mean value of 3.26 (table 4.3). This indicated a tendency towards low mean values on most of the items/stages of performance management. Employees agreed on the development of performance management perquisites by the bank with

high mean value of 4.3(table 4.4) and moderate mean value of 3.58 (table 4.5) for performance planning. However, other values of the remaining stages show low means values which ranges from 3.06 - 2.67(table 4.6, table 4.7 and table 4.8) which indicated inadequate execution of the stages by the bank. The standard deviation indicated that the spread was narrow (1.10), indicating that respondents were relatively consistent in the way they responded to the items.

Table 4.3 Practices of employee performance management

No	Practices of employee performance management	Mean	St. deviation
1	Prerequisites /preparing to start the process	4.3	3.26 1.1
2	Performance planning	3.58	
3	Performance execution process	2.96	
4	Performance assessment and review	3.03	
5	Development plan	3.06	
6	Reward	2.67	

Source: Questionnaire data, 2018

An analysis of the means scores and standard deviations for practice of performance management stages are discussed below in detail.

4.3.1 Prerequisites /Preparing to Start the Process

Data collected regarding preparation to start the process of performance management system in Commercial Bank of Ethiopia, is presented in the table 4.4 below.

Table 4.4 Response to: familiarity with the banks' mission and vision and banks' strategic goals and activities, tasks, products, services, and processes of my job.

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

Source: Questionnaire data, 2018

From table 4.4 above, it is possible to learn that from the total number of respondents, the majority claimed (4.31) that they were familiar with the banks' mission and vision. This indicates majority of the employees at CBE are clear with the banks' mission and vision, but still there were a number of employees who were not familiar with the mission and vision of their bank.

Similarly, table 4.4 indicated with mean score of 4.29 the majority (88.80%) of the total respondent agreed that they were clear with the banks' strategic goals, activities and also their tasks, products, services, and processes of their job, but still there were a number of employees who were not clear with these goals and activities and also their tasks, products, services, and processes of their job.

In addition, the illustrated mean value of prerequisites /preparing to start the performance management process (4.3) indicated the presence of high agreement. The standard deviation indicated that the spread was relatively narrow, ranging between 0.83 and 0.82, indicating that respondents were relatively consistent in the way they responded to the items in this section.

According to interview conducted with manager level employees of the bank all employees of the bank were informed about the mission and vision, objective of the institute. This supports employees respond to know the banks vision, mission and objective of the bank.

Noting the key steps to the successful implementation of the PMS the bank was ready to start the process and showed this stage was well practiced at CBE.

4.3.2 Performance planning

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

Regarding individual goal alignment with the strategic objective of work unit as well as the bank, mean value of 4.01 indicated that the overall strategic objective was properly aligned to units and individuals objectives. However, some respondents (35%) disagreed that the overall strategic objective was properly aligned to units and individuals objectives. The respondents have agreed that they were clear about what was expected from them, their job responsibilities and also there

was an agreement on what the role holder/individual had to achieve with management with mean score of 3.98 and 3.42, respectively.

Therefore, based on their response, many of respondents in the bank were clear with what should they do and their responsibilities. This showed the bank has been striving to align individual goals and targets with that of the corporate goals and objectives through the process of creating clarity about individual performance standards and targets. The 3.29 mean score for agreement was reached at on how performance will be measured demonstrated that the extent with respect of availing the necessary opportunities for employees to review and comment was low. This is to the extent of adding and reducing their goals and targets as well as incorporating their comments while signing the contracts if they have different perspectives and views. This was not entertained at the expected level by the bank.

Table 4.5 Performance planning

No		Mean	Std. Deviation
1	I know the strategic objective of the bank	3.86	.86
2	I know the strategic objective of my work unit	3.61	1.01
3	Individual goal is aligned with the strategic objective of work unit as well as the bank	4.01	.85
4	My job responsibilities , what is expected from me is clear	3.98	.97
5	My objectives are specific/stretching, measurable, achievable, relevant and time framed	3.33	1.18
6	There is an agreement on what the role holder/individual has to achieve with management	3.42	1.19
7	Agreement is reached at on how performance will be measured	3.29	1.16
8	Agreement is reached at on how evidence will be used to evaluate my work	3.13	1.21

Source: Questionnaire data, 2018

The mean score for the items; goals and targets were specific, measurable, achievable, realistic and timely (SMART)(3.33), and agreement on how performance will be measured(3.29) and evidence used to evaluate work demonstrated by respondents (3.13) revealed that though the respective goals and targets were aligned down from that of the bank's goals and objectives, they were not SMART enough and respective manager's performance related communications were not to the expected level due to lack of properly tracked and recorded data that leads to subjectivity, biasness and limited transparency which ultimately affects the effectiveness of the system.

The illustrated moderate mean value of performance planning stage of the performance management (3.58) indicates presence of above average agreement. The standard deviation 1.01 indicated that respondents were consistent in the way they responded to the items in this section.

In summary, the major gaps outlined from the research findings in relation to the performance planning include: the gap with regard to setting SMART goals and targets; limited or poor experience with regard to availing opportunities to employees to address their comments or opinions while signing the contractual agreements; and agreement was not reached at on how performance will be measured. This can lead to employee dissatisfaction and fail to clearly understand the link between his or her responsibilities and the overall goals and objectives of the organization.

The interviewees also mentioned that individual objectives and strategic objectives of the bank were linked in order to achieve individual, work unit and the organizations goals. According to the interview there is a document to standardize the employee performance management system in the bank. According to the interview conducted employees were not allowed to participate in planning stage which justifies employees respond to specific/stretching, measurable, achievable, and relevant and time framed objective. Managers also explained in this stage an agreement on what the role holder /individual has to achieve with management would be reached.

4.3.3 Performance execution

Table 4.6 Descriptive statistics for performance execution process

No		Mean	St. deviation
1	I get ongoing performance feedback / coaching	2.75	1.11
2	Supervisors provide me with resources to perform the job properly	3.07	1.34
3	Employee communicate openly and regularly with the supervisor to provide the supervisor with regular updates on progress toward goal achievement	3.47	1.24
4	Feedback on progression toward goals is provided on a regular basis to employee	2.86	1.2
5	Coaching to improve performance is provided on a regular basis to employee	2.81	1.16
6	Change in initial objectives, standards, key accountabilities and competency areas are communicated regularly	2.81	1.16

Source: Questionnaire data, 2018

The mean scores of the respondents 2.75 as shown under table 4.6 above indicated that the bank's effort to institute the issue of feedback and coaching as critical aspect of ensuring effective EPMS was less that signifies it still demands more work to make it more satisfactory. When analyzed, employee communicates openly and regularly with the supervisor to provide the supervisor with regular updates on progress toward goal achievement (3.47) was relatively better of the performance execution variables. The mean score 3.07, for the variable that supervisors provided me with resources to perform the job properly, showed that though supervisors provided resources the resources provided were inadequate. This shows that for effective performance the bank needs to provide resources properly and the need for supervisors to provide adequate resources.

On the other side, the mean score of 2.81 for the coaching to improve performance was provided on a regular basis to employee demonstrates that there was no regular coaching to increase the performance of employee. This showed coaching as major driver of effective performance management was at its early stage by the bank. Similarly, the mean score (2.81) for change in

initial objectives, standards, key accountabilities and competency areas were communicated regularly, have significant impact on performance management since employees were not updated on changes.

On the other hand, majority of respondents expressed their disagreement with regard to implementation of performance execution stage which is shown on the table 4.6 above having low mean value of 2.96 which was below average. This suggests a tendency towards disagreement on most of the statements. The standard deviation (1.17) indicated that the spread was relatively narrow; respondents were relatively consistent in the way they responded to the items in this section.

As a result, the gaps demonstrated by the less rated items in the performance execution aspect which include; fail to get ongoing feedback on performance and failure to update employees on changes in initial objectives, standards, key accountabilities and competency areas were communicated regularly have significant impact on the overall effectiveness of the employee performance management system by damaging relationships, biases relationships and makes organizations and the supervisor’s expectations unattainable due to changes made.

At this stage interviewees indicated that ongoing feedback and coaching was provided, but not regularly because of work load which supports the response of the employees. This showed the bank needs to strive to better practice of execution stage of its performance management.

4.3.4 Performance Assessment and Review

Table 4.7 Expressive statistics for performance assessment and review

No		Mean	St. deviation
1	Employee performance is assessed based on the agreed plan	3.08	1.12
2	Supervisor assessment to performance is biased	3.13	1.23
3	Review conducted with supervisor is focused on the contribution , capability and continuous development	2.78	1.22
4	In discussion with supervisor friendly exchange of views can take place	2.69	1.22
5	Performance management review provides motivation for individuals to change	3.45	1.32

Source: Questionnaire data, 2018

An analysis of the means scores for performance assessment and review strategy revealed an aggregate mean of 3.03 and standard deviation of 1.18. The illustrated values of these stages of performance management indicated presence of above average agreement but considered low as the practice of performance assessment and review.

As table 4.7 above showed above average 3.08 mean score on the variable concerning the employee performance was assessed based on the agreed plan, demonstrates low respondent agreement on employee performance was assessed based on agreed plan.

Regarding to biased supervisor assessment to performance, respondents agreed that assessment was biased (3.13). Whereas on review conducted with supervisor was focused on the contribution, capability and continuous development and also in discussion with supervisor friendly exchange of views can take place the result showed low mean value of 2.78 and 2.69, respectively.

This reveals though the bank has lied down the ground to ensure the periodic performance evaluation of individual employees were conducted consistently applying set standards and supported by somehow objectively recorded data nearly half of the respondents believe that assessment was subjective/biased. In respect to supervisor friendly exchange of views in discussion, the study demonstrated that there was a gap with respect to properly defining and articulating job standards that can also justify the responses for addressing SMART goals and targets under the performance planning step.

Most of respondents with moderate mean value of 3.45 agreed performance management review provides motivation for individuals to change, which showed the employees could be more motivated if they believed supervisor assessment was objective, focused on the contribution, capability and on continuous development. And also friendly exchange of views with supervisor could enhance motivation of the employees.

Underlining the positive aspects with regard to setting the basic understanding of using performance assessment and review practice as developmental tools leads to raised employee motivation and commitment to deliver better performance.

Most managers agreed that review provides motivation to employees. The interviewees also suggested biased assessment to performance was as a result of subjective assessments due to

frequent changes of jobs and because the system was at its early stage of implementation /recently implemented/.

4.3.5 Development plan and Reward

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

Table 4.8 Development plan and reward

No.		Mean	St. dev.
1	There is personnel development plan that provide an action plan to improve areas of weaknesses	3.04	3.06 1.29
2	Development plan allows employees to keep abreast of changes in their field	3.06	
3	There are development activities (self managed learning, coaching, mentoring, job enlargement and job enrichment) in the bank	3.08	
4	Performance management system of the bank seek to link rewards to performance	2.95	2.67 1.32
5	Reward is administered close to performance	2.39	

Source: Questionnaire data, 2018

As it can be observed from table 4.8 above, the employees have somehow agreed with low mean values that; there was personnel development plan that provides an action plan to improve areas of weaknesses (3.04), development plan allowed employees to keep abreast of changes in their field (3.06) and there were development activities (self-managed learning, coaching, mentoring, job enlargement and job enrichment) in the bank (3.08). The aggregated mean for development plan (3.06) was low (below 3.39) with standard deviation of 1.29 (indicating that respondents were not relatively consistent in the way they responded to the items in this section). This suggests the development plan practiced by CBE was not satisfactory.

With regard to performance management system of the bank seeks to link rewards to performance and reward was administered close to performance low mean score of 2.95 and 2.39 were indicated. This showed most employees disagreed that the system links reward to performance. And above half of the respondents agreed reward was not administered close to performance. Similar to development plan, the aggregated mean regarding reward (2.67) was low (below 3.39) with standard deviation of 1.32.

Accordingly, the bank did not institute a system and mechanisms to use individual employees' performance as an input for reward and development plan which of course has significant impact with regard to the consequences of good and poor performance that ultimately affects the credibility and sustainable acceptance of the performance management system by the employees. This also has great impact on employees' motivation towards performance.

As not linking performance to reward and development plan is a challenge by itself, this practice may result employees not to have adequate understanding as to the implication of their performance and fail to fully own it accordingly.

4.4 Challenges of PMS in CBE

In the table 4.9 below, the 87.3 % (4.02) of participants agreed as to the alignment between individual, departmental and organizational objective. As for the rest, of the participants involved in the study have stayed neutral and disagreed with the statement. Most of the respondents feel that there was a challenge in at various levels of the organization since poor measures were developed which was supported by 56.7 % (3.45) of respondents.

Table 4.9 Challenges of PMS

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

Source: Questionnaire data, 2018

From table 4.9 aggregate mean of 3.39 was considered low which shows most of the above variables were challenges to practice of PMS by the bank. The standard deviation 1.01 indicated that respondents were consistent in the way they responded to the items in this section.

Based on the respond from the employees of the bank, the researcher tried to discuss that employee performance management system was clearly defined in the bank. In this regard, with 3.44 means core more than half of the respondents (56%) of the respondents have agreed.

Even if, in the above statement most of the respondents agreed that employee performance management system was clearly defined in the bank, at the same time most of the respondents feel that there was a problem in performance management on time measurements (2.4), collection of required evidence and measurement data.

The next question which sated training and development interventions were implemented to ensure that the users of the PMS were continuously developed. Which is related with those involved in the performance management system must possess appropriate knowledge, attitudes

and skills to utilize the system. The respondents agreed with moderate mean value of 3.55 with the statement. This shows the bank needs to give attention towards training and development in connection with PMS.

This can be also related to challenges with regard to the prevailing condition on the purpose of performance management system aspect as disclosed by the respondents include: limited awareness and trainings concerning the purpose, requirements and implications of performance management; and limited orientation. Effective or successful implementation of the PM system requires a clear understanding of how the system works and its benefits from the different perspectives of all involved that triggers the need for a communication plan before launching the system.

Other challenges from the response to open ended question, related with benefit gained for the bank and employees, majority of the respondents did not believe the PMS had a benefit to the employees of the bank. The respondents believed the sole benefit goes to the bank by providing base to monitor employees and by keeping record. Since employees are the implementers of PMS their attitude affects the system to great extent. Without believing and taking the ownership of one system it will be difficult for an organization to get the desired output from the system. A lot has to be done by the bank in changing the attitude and perspective of employees toward the system because it will be very difficult to get the desired objective having let alone majority of the implementers.

Other challenges faced as a result of the prevailing performance management system as disclosed by the respondents included: limited awareness and trainings concerning the purpose, requirements and implications of performance management; lack of trust and continuity of the system due to its newness and limited orientation; resistance to change and implementation not supported by change management; last but not least, not updated job descriptions.

The major challenges outlined from the respondents in the process were subjectivity due to trend of handling unplanned tasks that leads to judgment and affects the reliability of the planned goals & targets, and lack of coordination of tasks. Though, majority of employees do have good understanding and acceptance that the EPMS has supported the alignment of the bank's objectives to that of the individuals as the research confirmed, they were not getting the required

chance & opportunity to review and comment on their goals and targets as well as address the comments before signing off the performance contractual agreements. According to respondents performance related communications were not to the expected level due to lack of properly tracked and recorded data which leads to subjectivity, biasness and limited transparency which ultimately affects the effectiveness of the system.

On the other hand limited or poor experience with regard to availing opportunities to employees to address their comments or opinions while signing the contractual agreements and agreement was not reached at on how performance will be measured were another challenges. Most of the respondents also feel that poor measures were developed.

In addition, based on the responses given by employees, giving different goals for similar positions (Employees are not treated equally by the system with same job grade), there is no fair job rotation in the bank, poor resource allocation (resources were not provided to enable employees to perform) and PMS doesn't treat employees equally/it favors some areas of work which contribute to unequal promotion opportunity were challenges encountered during employee performance management system implementation.

The challenges faced in PMS according to the interview included; technological and manmade challenges (how to use the system) and not fully implemented system. Towards this, according to interviewees the major initiatives and tasks undertaken towards PMS by the bank includes: formulate the bank's EPM frame work and guideline, develop performance standards and measures, segregating objectives, conduct workshops and awareness sessions targeting top management and line managers which is in charge of any issues concerning the EPM system of the bank. Though the bank undertakes this initiative and tasks, the banks needs to give attention to each and every aspect of the system since the study showed practice of PM was not satisfactory.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter presents summary of findings, conclusions and recommendations of the study with the aim of identify the driving purpose of performance management system, assessing the performance management practice in the CBE and identifying potential challenges and recommend possible solutions in order to mitigate them.

5.1. Summary of findings

The following major research findings were drawn from the analysis under chapter four:

- ✚ Majority of respondents (4.02) replied that they know the purpose of PMS in the bank. The respondents also agreed EPMS implemented in the bank has linked the organization's goals with individual goals (3.44). It also enables to inform employees how they are doing (3.29) and provide information to be used in workforce planning (3.29) and determine who gets promoted and salary increment (3.29). The respondents confirmed the system in the bank was not adequately defined in the organization (3.21). Furthermore, provision of information on specific areas that may need improvement for employees (3.17) and documentation of important personnel decisions (3.06) through the system were not adequate enough.
- ✚ According to participants' response, majority of the employees at CBE were familiar with the banks' mission and vision (4.3). The respondents also confirmed they were familiar with goals, activities, tasks, products, services, and processes of their job (4.29) which was similar to findings of Melat (2014) and Temesgen (2016).
- ✚ Regarding performance planning, majority of the respondents agreed that the overall strategic objective was properly aligned to units and individuals objectives (4.01). Respondents were also clear about what is expected from them (3.98). They also confirmed that there was an agreement on what the role holder/individual has to achieve with management (3.42). In this stage, related to SMART objectives (3.33), agreement on how performance would be measured (3.29) and how evidence would be used (3.13) the finding showed relatively low mean score.
- ✚ In performance execution stage, though employees communicated with the supervisor to provide the supervisor with regular updates on progress toward goal achievement (3.47), most of them fail to get ongoing feedback on performance (2.86) and coaching (2.81) to

improve performance . The finding also indicated low provision of resources (3.07) and low regular communication of changes in initial objectives, standards, key accountabilities and competency areas (2.81).

- ✚ In the assessment and review stage, respondents agreed employee performance was assessed based on the agreed plan (3.08) but biased supervisor assessment to performance exists (3.13). In addition, respondents confirmed review conducted with supervisor was not focused on the contribution, capability and on continuous development (2.78). Respondents agreed that performance management review provides motivation (3.45) but mean score of 2.69 for friendly exchange of views could take place showed most of respondents disagreed.
- ✚ Employees agreed there was personnel development plan somehow that provides an action plan to improve areas of weaknesses (3.04) and there are development activities (3.06). Regarding to reward most of respondents disagree that the system links reward to performance (2.95) and above half of the respondents agreed reward was not administered close to performance(2.39).
- ✚ The finding indicated low mean values on most of the practices of stages of performance management. Employees agreed on proper communication of performance management perquisites by the bank with high mean value (4.3) and moderate mean value (3.58) for performance planning. However, other values of the remaining stages showed low mean values (3.06 - 2.67).
- ✚ Based on the responses given by employees, there were different types of challenges encountered during EPMS implementation. This includes; poor measures, poor collection of required evidence for performance management, giving different goals for similar positions, lack of participation of employees in performance planning and not updated job descriptions. With agreement with the findings of Mulu (2016), there was no fair job rotation in the bank, poor resource allocation and PMS doesn't treat employees equally (favors some areas of work) which contribute to unequal promotion opportunity. Other challenges included that results of PMS not used for other purposes other than record keeping (identifying best performer), lack of trust on continuity of the system due to its newness and limited orientation and limited awareness, absence of trainings concerning

the purpose, requirements and implications of performance management were also disclosed by the respondents.

5.2 Conclusions

Based on the findings of the study the following conclusions were made.

With regard to the prevailing condition on the purpose of PMS aspect the bank used the system mainly for strategic purpose which allowed employees of CBE to be familiar with the banks' mission and vision. The bank used the system to some extent for administrative, developmental and organizational maintenance purpose. Furthermore, provision of information on specific areas that may need improvement for employees and documentation of important personnel decisions through the system were not adequate enough.

EPMS implemented in CBE made employees know the strategic objective of the bank and objective of their work unit very well, be clear about what is expected from them and their job responsibilities. The employees were also familiar with goals, activities, tasks, products, services, and processes of their job. This shows the bank worked hard in order to communicate its mission and vision.

Based on findings, the bank did not provide opportunities to employees in order to participate in planning performance goals and objectives. As a result, stated goals (targets) were not SMART enough, objective measures were not well defined, and subjectivity due to lack of properly recorded trend data that leads to leave some tasks unplanned existed.

In the performance execution stage, managers failed to provide frequent feedback on performance, to provide frequent coaching to improve performance of employees, communicate changes (objectives and accountabilities) and also failed to provide sufficient resources regularly to execute jobs.

In the assessment stage, biased supervisor assessment to performance exists. In addition, review conducted with supervisor was not focused on the contribution, capability and on continuous development. There is low practice of friendly exchange of views between employee and managers. According to the findings, both personnel development plan that provides an action plan to improve areas of weaknesses and development activities were unsatisfactory. One can

also conclude EPMS of the bank failed to link reward to performance and also reward was not administered close to performance.

In summary, from finding of the research one can conclude prerequisites were adequately communicated and performance planning was implemented moderately by the bank. However, the remaining stages were inadequately executed by the bank. Therefore, it is impossible to say that all performance management system processes were practiced well and right in the bank.

There are different challenges faced in the implementation of EPMS by the bank; collection of required evidence for performance management, giving different goals for similar positions, unfair job rotation, poor resource allocation (resources are not provided to enable employees to perform) and PMS doesn't treat employees equally/it favors some areas of work which contribute to unequal promotion opportunity.

5.3 Recommendation

On the basis of the findings and conclusions reached, the following recommendations were forwarded:-

- ✚ CBE used performance management system mainly to serve strategic purpose; therefore the bank needs to use the system for administrative, information, developmental, organizational maintenance, and documentation purposes since they are essential in order to make the system more effective.
- ✚ CBE has to create a situation where employees can prepare their own SMART goals, participate in the discussion, can exchange views friendly and to take ownership of the plan agreement. Participation by the employee in the goal-setting procedure of the bank helps produce favorable results, creates more understanding and commitment, develops a climate of cooperation and trust via promoting transparency but also allow employees to contribute to business goals.
- ✚ The bank should make sure that supervisors provide continuous feedback on the progress of performance towards the achievement of the goals of the organization which allows employees to improve performance from time to time. Receiving feedback about one's performance increases the motivation for future performance. Knowledge about how one is doing and recognition of one's past successes provide the fuel for future accomplishments.

- ✦ The bank needs also to pay more attention to the performance execution stage; by providing ongoing coaching, providing resources to perform job properly and by communicating changes in initial objectives, standards, key accountabilities and competency areas regularly.
- ✦ In order to have sufficient information about employee's performance and reporting their status as well as to have the expected output on performance information reporting and utilization, CBE has to make performance management process more flexible and reliable.
- ✦ When the system is not perceived as fair, employees are likely to feel increased levels of job burnout and job dissatisfaction therefore the bank needs to strive to reduce the possible bias from supervisors by properly recording data, communicating changes and developing job description on time.
- ✦ After performance assessment, any identified shortfall or gap should be addressed by providing required training for the assessed employee. The performance management system of the bank should be designed in such a way that it is future oriented and focused on the long term developmental benefits rather than focusing on short term.
- ✦ In order to motivate the employees, also to encourage good performance the bank must integrate performance management system with reward (benefit packages) and also ensure that rewards are distributed on a fair and credible basis. This also leads to improved interpersonal relationships and enhanced supervisor–subordinate trust.
- ✦ The bank needs to implement training and development interventions to ensure that the users of the performance management system are aware of PMS with the perspective of getting employees partnership and understanding to equip employees with the basic requirements that help them to accomplish their task as expected. And also changing the attitude and perspective of employees about PMS.
- ✦ The bank has to make sure that equal jobs are assigned for equal positions for the sake of fairness among employees and also the bank has to implement fair job rotation and provision of equal resources for all employees.
- ✦ It is not also sufficient to simply send round the organization a printed guide to operating the system. Training by the bank for participants is essential. Nor are not just managers who need training for it is a joint process between managers and their staff.

5.4 Recommendation for Further Research

As mentioned in this research the study used a case study and focused on a single entity CBE, Bishoftu. Future research could therefore investigate extent to which these findings can be generalized to other branches, other commercial banks in the country, NGOS and other government institutions.

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

1. Purpose of performance management

S.No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I know the purpose of performance management System in the bank					
2	The performance management system is clearly defined in the organization					
3	The performance management system links the organization's goals with individual goals					
4	The performance management system inform employees how they are doing					
5	The performance management system provide employees with information on specific areas that may need improvement					
6	The performance management system determine who gets promoted and salary increment					
7	The performance management system provide information to be used in workforce planning					
8	The performance management systems allow for the documentation of important personnel decisions					

2. Prerequisites

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

3. Performance Planning

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

4. Performance Execution

S.No.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I get ongoing performance feedback / coaching					
2	Supervisors provide me with resources to perform the job properly					
3	Employee communicate openly and regularly with the supervisor to provide the supervisor with regular updates on progress toward goal achievement					
4	Feedback on progression toward goals is provided on a regular basis to employee					
5	Coaching to improve performance is provided on a regular basis to employee					
6	Change in initial objectives, standards, key accountabilities and competency areas are communicated regularly					

5. Performance Assessment and Review

S.No.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Employee performance is assessed based on the agreed plan					
2	Supervisor assessment to performance is biased					
3	The review conducted with supervisor is focused on the contribution , capability and on continuous development					
4	In the discussion with supervisor friendly exchange of views can take place					
5	Performance management review provides motivation for individuals to change					

6. Development plan

S.No.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	There is personnel development plan that provide an action plan to improve areas of weaknesses					
2	Development plan allows employees to keep abreast of changes in their field					
3	There are development activities (self managed learning, coaching, mentoring, job enlargement and job enrichment) in the bank					

7. Reward

S.No.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Performance management system of the bank seek to link rewards to performance					
2	Reward is administered close to performance					

8. Challenges of performance management system

S.No.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	There is alignment between individual, departmental and organizational objective					
2	At various levels of the organization poor measures are developed					
3	Employee performance management system is clearly defined in the bank					
4	Performance managed based on time measurements and collection of required evidence and measurement data.					
5	Training and development interventions are implemented to ensure that the users of the performance management system are continuously developed					

What are the benefits gained for the bank from employee performance management system?

What are the benefits gained for yourself from employee performance management system?

What are the challenges you faced as a result of performance management system?

Thanks for your cooperation

II. Appendix

Addis Ababa University College of Business and Economics

School of Commerce

Department of Human Resource Management

Interview Questions

- ✚ Do all employees of the bank informed about the mission and vision, objective (target sated) of the institute?
- ✚ Do individual objectives linked with the strategic objectives of the organization? Discuss.
- ✚ Is there a document to standardize the employee performance management system in the bank? If yes, explain how are the phases of employee performance management system (planning, execution, assessment and review) are executed?
- ✚ What does employee performance management system contribute to the employees and the institute?
- ✚ What are the purposes of employee performance management system in the institution (strategic, administrative, information ...)?
- ✚ What are the challenges faced in the employee performance management system?