



ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

SCHOOL OF COMMERCE

ASSESSMENT OF CHALLENGES IN PERFORMANCE
MANAGEMENT IMPLEMENTATION PROCESS IN BANK OF
ABYSSINIA SHARE COMPANY

**Research Project Submitted to School of Commerce Business
Leadership Department for Partial Fulfillment of MA Degree**

By Ziyad Muzia

Advisor Bantie Workie (PhD)

August, 2021

Addis Ababa

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Declaration statement

I declare that “Assessment of challenges in Performance Management implementation Process in bank of Abyssinia Share Company” is my own original work which is prepared under the guidance of the research advisor, Dr Bantie Workie. This work is original and has not been submitted by other researcher and that all sources of materials used as input for the thesis have been acknowledged.

Researcher: - Ziyad Muzia _____ Date_____

Statement of certification

This is to certify that the project submitted for fulfillment of MA degree in business leadership, assessment of challenges in performance management implementation process in bank of Abyssinia Share Company, which is prepared by Ziyad Muzia, is conducted in compliance of rules and regulations of Addis Ababa University, and it is at accepted standard of originality.

Advisor:-Bantie Workie (PhD)

Signature:- _____

Addis Ababa University

School of Commerce

Approval Sheet

Assessment of challenges in Performance Management
Implementation Process in bank of Abyssinia share company.

Advisor

Name Bantie Workie (PhD) signature _____ Approval date: _____

Internal Examiner

Name _____ signature _____ Approval Date: _____

External Examiner

Name _____ Signature _____ Approval Date: _____

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Acronyms

BoA- Bank of Abyssinia

BM- Branch Manager

BBO- Branch Banking Officer

MBB- Manager Branch Business

MBO- Manager Branch Operation

HR – Human Resources

HRD – Human Resources Department

HRM – Human Resources Management

PA – Performance Appraisal

PDP – Personal Development Plan

PM – Performance Management

PMS – Performance Management System

ABSTRACT

The purpose of this project was to assess challenges faced in performance management implementation process in Bank of Abyssinia Share Company. Theoretical aspect of PMS in BoA HR department is ideal and according to literatures' suggestion, where as in practical implementation in branches operational level not effective as expected. The motive of the research is to identify the gaps in implementation process. Related literature and empirical studies were reviewed to assess what is studied past in the area of performance management. The activities in phase of performance prerequisites, goal planning, performance execution, performance assessment, and performance review stages are discussed independently in literature review chapter. Challenges in implementation of PMS are not known before conducting the study researcher prefers qualitative research methodology and descriptive type of research design used. Interviews used in order to collect required data through purposive sampling method, this used to make the research participants reflect all branch level staff representation as well as managerial and non-managerial perspective balancing. The interviews were recorded, transcribed, analyzed and interpreted. Based on transcribed data analysis in perspective of Identification the main challenges in implementing in PMS process phases had been carried out. Employees were not fully understood the ultimate objective of PMS. When conducting goal planning process employees' participation was not practicing. Based on findings the researcher forwards to the organization should improve understanding level of workers about the whole stage activities of the PM system. Discussion in goal planning stage, system based data tracking and recording should be implemented. Formal discussion platform for employees and supervisors at review stage must be arranged. Employees' promotion and benefit package must be aligned with PMS result. Improve managerial employee's knowledge about the system, as well as non-managerial position staffs provided class room training should be arranged.

Key terms: - performance management implementation, Performance Management system, Goal planning, Performance Execution, Performance Assessment and Performance Review.

CHAPTER ONE

Introduction and background

1.1 Introduction

The aim of this chapter was to introduce the topic and provide adequate information about the research in order to enable readers to comprehend significance of the research question. It was to give description of the problem that will address. In this section the researcher ought to discuss the nature of the research, the purpose of the research, significance of the research problem and the research questions to be addressed.

In this chapter included background of the research, statement of problem, background of the organization, research questions, the research objectives to accomplish, hypotheses of the research, limitations, significances of research, scope of the project and organization of the study which present and introduces the basics of this study issues.

1.2 Background of the study

To survive in highly competitive market environment, organizations need competent employees who can face present and uncertain future challenges; hence organizations always try to seek the new ways to improve employee's performance. Traditionally, this objective, improve employee productivity was attempted by using employees performance appraisal which was more concerned with telling employees where they lacked in their performance. Though performance appraisal served the purpose to some extent, but not considered enough to raise the employee performance at the most desirable level (Prasad, 2005).

In perspectives of current organizations employees are considered as the most valuable assets whose value is improved by training and development. For this reason, companies are engaged in practice of Human Resource Management to capitalize on those assets, in order to identify employee gap for training and development PMS has pivotal roles.

PMS is an improving tool of objective achievement an organization to the higher expectation by developing the capacity of individuals and teams in a systematic and continuous way. It is implemented by process of cascading the goal of the organization down to departments and individuals with the aim of the whole picture of the company grand objectives (Armstrong, 2009).

In successful PMS implementation, it is easy for managers to evaluate and measure individual performance and increase productivity by aligning their objectives with strategic objective of the company, cascading SMART goals, tracking individual's performance for future skill development plan. Having good PMS is motive of every organization because it is an important tool for any organization to be a winner in the industry by managing employee efficiently and effectively in order to achieve the organization objective.

Performance management tool is a continuous process of measuring, identifying and developing performance of a company by aligning each individual's activities with the organization's overall objectives (Aguinis, 2012)

Looking the above definitions, we can learn that performance management system is a continuous process. The other important aspect we can draw from the above definition is that, performance management system ability to align the activity of individuals with the overall objective of the organization. Hence, performance management is one of the critical factors that affect the success and failure of an organization.

Bank of Abyssinia (BOA) had implemented performance management system and working with alignment of all branches activities with its corporate level objectives. At beginning of fiscal period corporate level budget plan was articulated and cascaded to each district. The targets forwarded to district also cascaded to under the district domain branches. Also branches

The performance management system (PMS) review cycle period was quarterly. All phases of PMS cycle were considered some extent. How much adequately implemented of PMS in bank of Abyssinia was checked.

1.3 Background of the company

According to the organization website Bank of Abyssinia (BoA) was established on February 15, 1996 in accordance with 1960 Ethiopian commercial code and the Licensing and Supervision of Banking Business Proclamation No. 84/1994. BoA started its operation with an authorized and paid up capital of Birr 50 million, and Birr 17.8 million respectively, and with 131 shareholders and 32 staff.

In two and half decade, since its establishment Bank of Abyssinia had registered a significant growth in all parameters. As at closing of fiscal year 2019/20 the bank has reported total equity and total asset, 56.89 billion and 5.68 billion respectively. Total revenue reached to 5.67 billion and gross profit 1.08 billion of recorded during 2019/20 fiscal year. Total deposit reached birr 47.63 billion and total number of deposit account holder reached 2,605,315 as of 30 June 2020, which was growth by 1,322,592 or 103% increment from previous year. The bank has been strategically expanding its branch network and thus managed to open 166 additional branches in 2019/20 fiscal year, raising the total number of branches to 503. More over the bank continued expanding digital channels with a view to improve a diversity service delivery. Also the bank has launched virtual banking service offering in selected locations, which is new type of digital banking service to deliver in the industry.(BoA Annual report, 2019/20).

Human resource in bank of Abyssinia reached 6,700 as of 30 June, 2020. The bank's human resource grew following the opening of additional branches business expansions and thus recruitment of new personnel to meet the ensuing human resource requirement. The overall attrition in budget year 2019/20 was 186 personnel as a result of retirement, resignation and other reasons, which has less than the anticipated attrition for the year.(BoA Annual report, 2019/20).The following are brief statements on the Bank's Vision, Mission and Values.

Vision: - To become a leading commercial bank in East Africa by the year 2030.



Figure 1.1 vision of BoA(Corporate strategy document, 2021)

Mission: - We are committed to provide excellent financial services through competent, motivated employees, and digital technologies in order to maximize value to all stakeholders(corporate strategy document, 2021)

Core Values

- **Customer Satisfaction:** - We are committed to provide the highest quality service to our customers at competitive price. We continuously work towards achieving excellence in all our endeavors.
- **Integrity:** -We promote and stand guard to a set of high moral standards and ethical value.
- **Team work and collaboration:** -We foster team work and collaboration to achieve our goals.
- **Caring for our community:** -We promote a sustainable and responsible business practices that are conscious of the community we operate in.

Corporate strategy is prepared and further decomposed to initiatives which are undertaken by its experienced top level management team. Human resource is the core resource for the initiatives and any activities.

CORPORATE STRATEGY OVERVIEW		
Strategic Themes and Results	Perspectives	Objectives
Growth <i>Sustainable profit</i>	Financial	Increase profitability
		Increase financial resource mobilization
Operational Excellence <i>Satisfied stakeholders</i>	Customer	Enhance financial soundness
		Increase customer satisfaction
		Increase customer base
Digitization <i>convenient services and seamless work process</i>	Internal Process	Increase accessibility with a focus on digital channel
		Improve efficiency and effectiveness
	Learning and Growth	Improve risk management
		Improve employee competency
		Increase employee satisfaction and engagement
		Improve digital capabilities
		Improve communication and collaboration

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Figure 1.2 Corporate strategy map (Corporate strategy documents)

1.4 Statement of the problem

According to the resource-based view, employees are the resources and assets of an organization. Consequently, organizations need to figure out strategies for identifying, encouraging, measuring, evaluating, improving and rewarding employees' performance at work. According to this respect, performance management has come to play an indispensable role in helping organizations to reach their goals of productivity (Stevens & Joyce, 2000).

In fact, human resource management practices could influence the behaviors of individual employee. The impact of Human Resources (HR) practices on employees' commitment and performance depends on employees' perception and evaluation of these practices (Guest, 1999).

Performance management helps companies by ensuring employees are contribute their maximum effort toward the organization's objectives. Performance management cascade targets for employees and motivates them to for better performance. Moreover, PMS provides a professional management process for companies to assess the performance results of individual performer (Macky & Johnson, 2000).

Pulakos (2004) argues that, performance management systems could be different based on the nature of organizations and the purpose of having such a system which could be determined according to the nature of the business, the underlying culture of the organization and the integration of the system with other human resource management functions. Similar to Pulakos Mick and Adrian (2004) claim that the purpose of performance management system could serve the purpose of decision making, in relation to pay increase, promotion, transfer and the like. On the other hand, it could also be used for development by which training, job experiences, mentoring and other related activities are guided to enhance capabilities of employees.

Some studies conducted in Ethiopia on this issue such as Haileselassie (2014) who studied performance management practice and challenges in Ethiopian management institute had found that there was no strong link between individual, departmental and organizational goals.

Yoseph (2015) had carried out a study on the challenges of implementing performance based pay system: the case of Ethio-Telecom, he found that the organization's goals and objectives and vision were not understood by employees. Additionally, Beyene (2008) had studied the challenges of performance management and found that there was inconsistency on the frequency and timing of evaluation. Employees also lack understanding on why the employee performance appraisal was taking place. The employee performance management system was not established to identify training and development needs.

However, the above mentioned studies were not conducted in performance management cycle phase implementation process. Each phase in performance management cycle is very important to get full benefits of the tool. In this sense, study this issue in Bank of Abyssinia was filling the gap in the existing empirical literature in PMS phase implementation activity in banking industry. Additionally, the study was also fill temporal or time lapse related gaps in the case of the presence of other studies in the banking sector in Ethiopia, if any. The researcher was also interested to assess the issue since currently many organizations considering their workers for success and achieve

their objectives. This research was fill empirical gap, which was not addressed on the above research works. Performance management cycle phase implementation activity in bank of Abyssinia was not done before. This research was focused on performance management cycle phase implementation activities and related challenges.

Since the researcher is staff in bank of Abyssinia, has opportunity to observe the employee understanding toward PMS contradicts with the PMS purpose, employees are not interested on in this tool, they consider it like only monitoring and controlling tool. Whereas checking the company PMS guideline document and training materials elaborated PMS is supporting tool for both managers and employees by aligning employee work and department activities with corporate objectives. Hence the researcher observation at work and reading the organization PMS document indicate the problem was in implementation process of the system. In implementation process there are phases in each quarter of the year, in each phase there are number of activities must be practiced, if an activity omitted or inappropriately implemented it will has wide range of negative impacts on employee motivation and organization goal achievement.

Therefore, this study motive was identify the challenges in related to implementing PMS cycle phases activities in BoA, which had been hindrances to exploit full benefits of the tool in bank of Abyssinia. As each PMS phase has its own benefit to manager and employee, the gap from all phases was checked and indicated the possible solution to the problems related to PMS Implementation activities. Properly applying the tool in operational level activity is the key task to optimum usage of PMS benefits, this research focus on accurately practicing all activities according to HR department suggested, in order to achieve the bank strategic objectives effectively and efficiently.

1.5 Research questions

For fulfilling the requirement of the research objectives to be achieved, the basic research questions were:-

- What are the challenges in performance management system implementation process in the Bank of Abyssinia?

- How does Bank of Abyssinia practicing each PMS phase's activities?
- Which part of PMS cycle phase's implementation need improvement to get all phase?
- Which one has the most critical implementation problem among the PMS process phases?

1.6 The research objectives

1.6.1 General objectives

The general objective of this study was to find out the challenges of performance management system implementation process in the Bank of Abyssinia.

1.6.2 Specific objectives

The specific objectives were:-

- Identify each PMS phase's activities implemented in Bank of Abyssinia to identify missed activities of PMS process.
- To determine which part of PMS cycle phase need improvement to get all benefits of the phase.
- To find out the critical problematic one among PMS implementation process phases.

1.7 Limitation

The limitations of this study was only BOA-east Addis Ababa district domain branches, because of cost and time constraints, other branches and head office staffs were not included in this study, as a result of this the study might not be represent all staffs attitude towards PMS of the company. Hence head office departments and other district

implementation activities may be some deviation, hence difficult to generalize from this study about aver all activities of PMS in bank of Abyssinia.

1.8Significances of the study

From this study major benefited organs are BoA, managers, employees and future researchers.

First BoA benefited from this study by figure out which phase in performance management system process need improvement and to enhance employees ‘performance so as to achieve its business strategy effectively and efficiently. Second this study support managers by providing insight improvement areas of PMS to enhance their employee motivation. Third employees benefited a lot from this study when the organization implemented according to this study suggestion work satisfaction, identify their gap and fair benefit and recognition they rewarded. Finally It given insight about the discipline of performance management system implementation in bank of Abyssinia and serving as reference for future related studies.

1.9 Scope of the study

The study was confined to the challenges of performance management system in Bank of Abyssinia East Addis Ababa district (EAAD) domain branches. EAAD is one of the BOA 10 districts; BOA has 102 branches under its domain as at December 31, 202. BOA is the second bank in number of branches in Ethiopia with more than 550branches throughout the country. This study was focus on the Addis Ababa City branches particularizing East Addis Ababa District due to financial and time constrains. Furthermore the research population was both managerial and professional employees working in various positions in the EAAD branches. In addition to the above reason the homogenous nature of the districts of the bank in their human resource composition and standardization of PMS in all division of the bank were the main cause to generalize from a single district study result. Therefore the study was delimited to only one district of the bank, East Addis Ababa district.

1.10 Operational Definitions of key terms

A performance appraisal: is a regular review of an employee's job performance and overall contribution to a company (Investopedia, 2021).

Performance management: is an ongoing process of communication between a supervisor and an employee that occurs throughout the year, in support of accomplishing the strategic objectives of the organization(Wikipedia,2021)

1.11. The research organization

The research organization is presented;that the first chapter wasstates about background of the research and organizations, problem statement, research of question, and significance of the project, scope and objectives. The second chapter was related literatures review to this topic. Chapter three consists of the research design and methodology. Data presentation and analysis based on the gathered data presented in chapter four. The last chapters was about major findings, conclusion and recommendation part of the research.

CHAPTER TWO

Literature Review

2.1 Introduction

The aim of this chapter is to gain an understanding of the existing research relevant to performance management system. This is means to familiarize with current state of knowledge, and to identify gaps and unresolved problems in related to performance management system to ensure not repeating what others have already done.

This chapter organized on the following outlines, definition of PMS, Importance of PMS, PM Process, possible problems which affect the system, solving challenges face in this system and other related topic in connection with performance management systems.

2.2 Definition of Performance Management system

Performance management system is the process of ensuring that a set of activities and outputs meets an organization's goals in effective and efficient manner. Performance management can focus on the performance of an organization, a department, an employee, or the process in place to manage particular task.

Armstrong (2009) defined PMS tool as it is way of achieving desired results of the organization through managing employees as per designed standards, planned goals and competence requirements. PMS is means of achieving strategies, interventions and drivers with on objectives to transform the potential of employees into expected results or exceeding. All human beings have huge potential in a few or more functional areas. However, utilization and transforming of this potential into outputs needs management intervention, performance of employee is often sub-potential due to a variety of reasons. Hence performance management system is the solution for those factors which are hinder for discharging of employee's performance.

2.3 Importance of performance management system

According to Armstrong (2009) Performance management system has the following benefits

- Aligning individual objectives with organizational objectives and encouraging individuals upholds the company core values.
- Enabling expectations to defined and agreed in terms of role responsibilities and accountabilities, skills and behaviors expected from employee.
- Providing opportunities to workers to identifies their gaps and develop their skills and competencies.

2.4 Performance Management Process

As Armstrong M. (2009), explained, performance management is continuous process of management. Many pertinent models on performance management system contains a simple five or six phases in which the performance management processes could be passed through in order to intended purpose of the tool achieve the corporate objectives.

As noted earlier, performance management is a continuous process. However, when a system is in the first time implemented, the process follows the following stages. (Grote, 1996:Aquinas, 2009).

The stages of performance management process are pre-requisites, performance planning, performance execution, performance assessment, performance review, and performance renewal and re-contracting. On the following section each stages will be discussed individually.

2.4.1 Stage One: Pre-requisites

The beginning stage in performance management system process is assuring the employees have knowledge of the organization and knowledge of the job. The first pre-requisite is all about knowledge of the organization, at this phase all employees should understand their company's vision, mission and corporate objectives. The second prerequisite provides clarity regarding what each employee needs to know about the work

on hand, and what to do and achieve the required targets and behavior of performer. Once the goals for the entire organization have been established, goals compatible with the organization mission and vision will be cascade downward until each employee has a set of goals compatible with those of his or her unit and the organization goals. The other important prerequisite before a performance management system implemented is to understand the job in question through job analysis.

2.4.2 Stage Two: Performance planning

At this phase the supervisor communicates to employee's performance target and expected behavior throughout performing their targets. The manager and performers must held performance planning meeting discuss in two way communication meeting and must reach on consensus on what needs to be done and how it should be done. This performance planning discussion includes results, behaviors and development plan.

Results. Results refer to what needs to be done or the outcomes an employee must produce along with key accountabilities or broad areas of a job for which the employee is responsible for producing results. A discussion of results also includes specific objectives that the employee will achieve and performance standards. A performance standard is minimum acceptable performance expected from employee.

Behaviors . Solely emphasis on results can give an incomplete picture of employee performance in the 21st - century organization where the organization structure more look like a web instead of a hierarchical organization chart as of the 20th century.

Development plan. An important step before the review cycle begins is for the supervisor and employee to agree on a development plan. At a minimum, this plan should include identifying areas that need improvement and setting goals to be achieved in each area. Development plans usually include both results and behaviors. Achieving the goals stated in the development plan allows employees to keep abreast of changes in their field or profession.

2.4.3 Stage Three: Performance Execution

Employee has primary responsibility and ownership of this process. Although it is said to be, manager should to accomplish his or her part of duty, he should provide to workers the required opportunity for training and development program. Thus, it is the supervisor's duty to make ready required resources to accomplish the assigned works to his subordinates to perform their activities properly. Supervisors should allow employee to know their accomplishment by give feedback on time, feedback should be provided even to negative performance along with the way how to remedy the problem observed.

At this process supervisor has its own part to play and take the primary responsibility for the following issue listed below:

Observation and documentation. Supervisors must observe and document performance on a daily basis. It is important to keep track of examples of both good and poor performance.

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

Feed back. 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.

Resources. Supervisors should provide employees with resources and opportunities to participate in development activities.

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.

2.4.4 Stage Four: Performance Assessment

Both the performer and manager are responsible for assessing results and behavior of performs. At this stage whether workers are behaved as expected and percentage of

cascaded targets have been achieved by using the information which is mainly provided by the direct supervisor and data tracking records (Bnnett, et.al 2006:Aguinis& Piece, 2008).

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. The manager fills out his or her appraisal form, and the employee should also fill out his or her form. The fact that both parties are involved in the assessment provides good information to be used in the review phase. When both the employee and the supervisor are active participants in the evaluation process; there is a greater likelihood that the information will be used productively in the future.

2.4.5 Stage five: Performance Review

At this stage supervisor and employee must hold performance result discussion meeting. This meeting is important as it provides a formal setting in which the employee receives formal feedback on his or her performance that is vital for it leads not only to performance improvement also employee satisfaction and being motivated to improve their performance Rhaman, 2006).

Additionally, Armstrong (2009) stated that although performance management is a continuous process, it is still useful to have a formal review once or twice yearly. This provides a focal point for the consideration of key performance and development issues. During performance review meeting the five primary performance management elements of agreement, measurement, feedback, positive reinforcement and dialogue can be put to good use and it involves some form of assessment.

2.4.6 Stage six Performance Renewal and Recontracting

The final stage is called renewal and recontracting and this process is identical to the performance planning component with the main difference is that the renewal and recontracting stage uses the insights and information gained from the other phases. The performance management process includes a cycle that starts with prerequisites and ends

with performance renewal and recontracting. The cycle is not over after the renewal and recontracting stage instead the process starts all over again.

2.5 Problems affecting performance management

The main possible problematic areas that arise in conducting performance management are:

1. Identifying performance measures and criteria for evaluating performance
2. Collecting factual evidence about performance
3. The existence of bias on the part of managers
4. Resolving conflict between reviewers and the people they review
5. Defensive behavior exhibited by individuals in response to criticism.

There are no easy answers to these problems, no quick fixes. It is wise never to underestimate how hard it is for even experienced and effective managers to conduct productive performance review meetings. It was the facile assumption that this is a natural and not too difficult process that has be outlined many performance appraisal schemes over the years. This assumption has certainly resulted in neglecting to provide adequate guidance and training for reviewing managers *and*, importantly, those whom they review (Armstrong 2006).

2.6 Overcoming problems in performance management.

To alleviate the problems listed above in the problems of performance management part of the literature review by Armstrong (2006) even if they cannot guarantee to eliminate them the minimize approaches are:

1. Ensure that the criteria for evaluating performance cover agreed objectives (quantified wherever possible), competences based upon proper role analysis and measures of day-to-day effectiveness, preferably stated as standards of performance.

2. Monitor performance throughout the year in relation to performance plans and agreed objectives, performance standards and behavioral requirements (competencies). Ensure that there is feedback at the time based upon evidence and record any critical incidents as they occur to assist in an overall assessment of performance.

3. Take steps to minimize bias (blue-eyed boy/girl syndrome), although gender, racial or other bias is difficult to eliminate. If the review process does not involve the delivery of judgments in the form of performance ratings, bias may not appear so obviously however it can still exist in subtle ways. Mentors and training can alert individuals to the risk of bias and assessments can be monitored by the employee's manager and HR.

4. Ensure that both managers and their staff understand the positive nature of the process. Train managers in the virtues of building on positives as well as how to make constructive criticisms (not more than two or three at a time) that are based on fact and not opinions about the employee's personality traits.

5. Encourage a positive approach by managers so that, by using constructive criticism rather than attaching blame, they can reduce defensive behavior. Briefing for all those involved on the benefits of the process to both parties should also help. Getting individuals to assess their own performance (self-assessment) is another way of reducing defensive behavior.

There are at least two things you can do to minimize the impact of appraisal problems such as bias and central tendency. First, be sure to be familiar with the problems as just discussed, Understanding the problem can help you avoid it(Dessler 1994). Second, choose the right appraisal tool, each tool, such as the graphic rating scale or critical incident method, has its own advantages and disadvantages. For example, the ranking method avoids central tendency but can cause ill feelings when employees' performances are low.

When and how often should employee performance be evaluated is a question that deserves careful consideration. Brumback and Vincent (1970) as cited by Chris write that informal counseling should occur continuously. The manager or the appraiser should discuss an employee's work as soon as possible after he has judged it. He should use

good work as an opportunity to provide positive reinforcement and use poor work as a basis for training. According to Brumback and Vincent in most organizations employees are formally evaluated once a year, in others twice a year. New employees are rated more frequently than the older ones e.g. three and six months (Chris 2011).

2.7 Goal Setting Theory

According to Mabey, Salaman, Storey, (1999), Goal-setting theory was established by Edwin Locke in a paper published in 1968, in which he argued that goals pursued by employees can play an important role in motivating superior performance. In following these goals people examine the consequences of their behavior. If they perceived that their goals will not be achieved by their current behavior, they will either modify their behavior or choose more realizable goals. If managers can intervene to establish the organization's goals (or translations of them for the group or individual) as being worthwhile for employees to accept, they can harness a source of motivation to perform, and direct it to securing strategic outcomes.

Subsequent empirical research into goal-setting has specified more precisely the conditions necessary for organizational goals to be motivating to employees; these are that; Goals should be specific, rather than vague or excessively general; Goals should be demanding, but also attainable; Feedback of performance information should be made; and Goals need to be accepted by employees as desirable. Goal-setting theory has been subject to a great deal of theoretical and empirical scrutiny since it was first advanced. The resulting body of evidence now provides a set of rigorously tested principles which offer clear guidance to designers of performance management systems.

According to Mabey, et al (1999) employee performance increases when they have SMART goals, and Acceptance of goals is very important prerequisite for good performance, it will be reached when:-

- ✓ People perceive the goals as fair and reasonable and trust their managers.
- ✓ There are arrangements for individuals to participate in goal setting.
- ✓ Support is provided by the supervisor, a supportive supervisor does not use goals to threaten subordinates but rather to clarify what is expected of them.

- ✓ People are provided with the resources required to achieve their goals.
- ✓ Success is achieved in reaching goals that reinforces acceptance of future goals.

Locke and Latham (1990) held that specific and challenging goals are achievable at higher performance than generalized and ambiguous goals, such as 'try your best'. Also people who participate in setting their own goals are likely to set more difficult goals than others will set for them, and goal difficulty leads to increased commitment to achieving the goals. Feedback and competition have a similar effect on performance. Therefore, the extent to which goals lead to performance depends on participation, commitment and other elements of the performance management process such as feedback.

2.8 Goals And Feedback

Goals and feedbacks work together to affect goal accomplishment. Employees may provide their own feedback or receive it from others, such as supervisors or peers. Coaches are another source of feedback and support for participation in goal setting. Workers require feedback to increase their progress toward their goal, and suggest ways to adjust the level or direction of their efforts. The combination of goals plus feedback is more effective than goals cascaded and neglected (Locke and Latham, 2002).

2.9 Empirical literature review

Haile Selassie (2004) who had conducted a research on PM practice and challenges in Ethiopian management institute had found that there was no strong relationship between individual, departmental and organizational goals. In addition to this, the researcher has concluded that there was no sufficient participation by employees at the planning stage of the PMS. Inconsistency in giving performance level feedback information technology to assist the gathering and analysis of performance related information were also noted as deficiency of the PMS in the organization under study (Haileselassie, 2014).

Yoseph (2015) had studied on the challenges of implementing performance based pay system: the case of Ethio-Telecom. Yoseph found that the organization's goals and objectives were not known by employees. In addition, the existing performance management system and the performance measurement tools were not appropriately used

to measure the achievements of employees. As a result, the merit based pay system which has been functioning in the previous year was not effective and the pay raise system was highly subjective. The researcher concluded that there was no clear linkage between annual increments and actual performances.

Pandelani Harry Munzhedzi (2011) had found that there was understanding gap about PMS by most managers, and the performance management and training and developments were not integrated. The timeliness of submitting performance management's instruments by some employees was another problem explored by the study. The researcher had observed there were unrealistic targets that were difficult to achieve. Biased rating was also another shortfall of the performance management system under study.

Beyene(2008) had noted that there was inconsistency on the frequency and timing of evaluation. Employees also lack understanding on why the employee performance appraisal was taking place. The employee performance management system was not established to identify training and development needs. Finally, the researchers stated that there was no good feedback giving mechanisms on the level of performance and the way to improve it.

2.10 Conceptual Framework

The research used qualitative approach; hence there are not dependent and independent variables. Since challenges are not known before conducting this research the researcher unable to articulate dependent and independent variable relationships. The researcher develop frame work, it shows PMS process implementation flows. Each phase interdependent each other, when one phase poorly implement affect the other phases effectiveness. To display this flow and relationship researcher develop the following framework.

Based on reviewed literatures, the below conceptual framework was developed on the process of PMS phases, the framework consists of the six major phases considered as pillars in PMS processes which are known as performance prerequisites phase, planning phase, executive phase, assessment phase, review phase and post review decisions phase.

The pre requisite stage is concerned about communicating the organizations strategic goals and mission, having the right knowledge about the job. Agreeing on expectation behaviors and results are major issues in stage of performance planning. Performance execution is concerned about coaching and ongoing feedback, resource allocation, reinforcing and updating employees on organizational changes. Self-assessmen, managers rating, positive and constructive feedback and creating an appeal system are major activities at the performance assessment and review stages. The administrative and or development decisions are the final stage in the process.

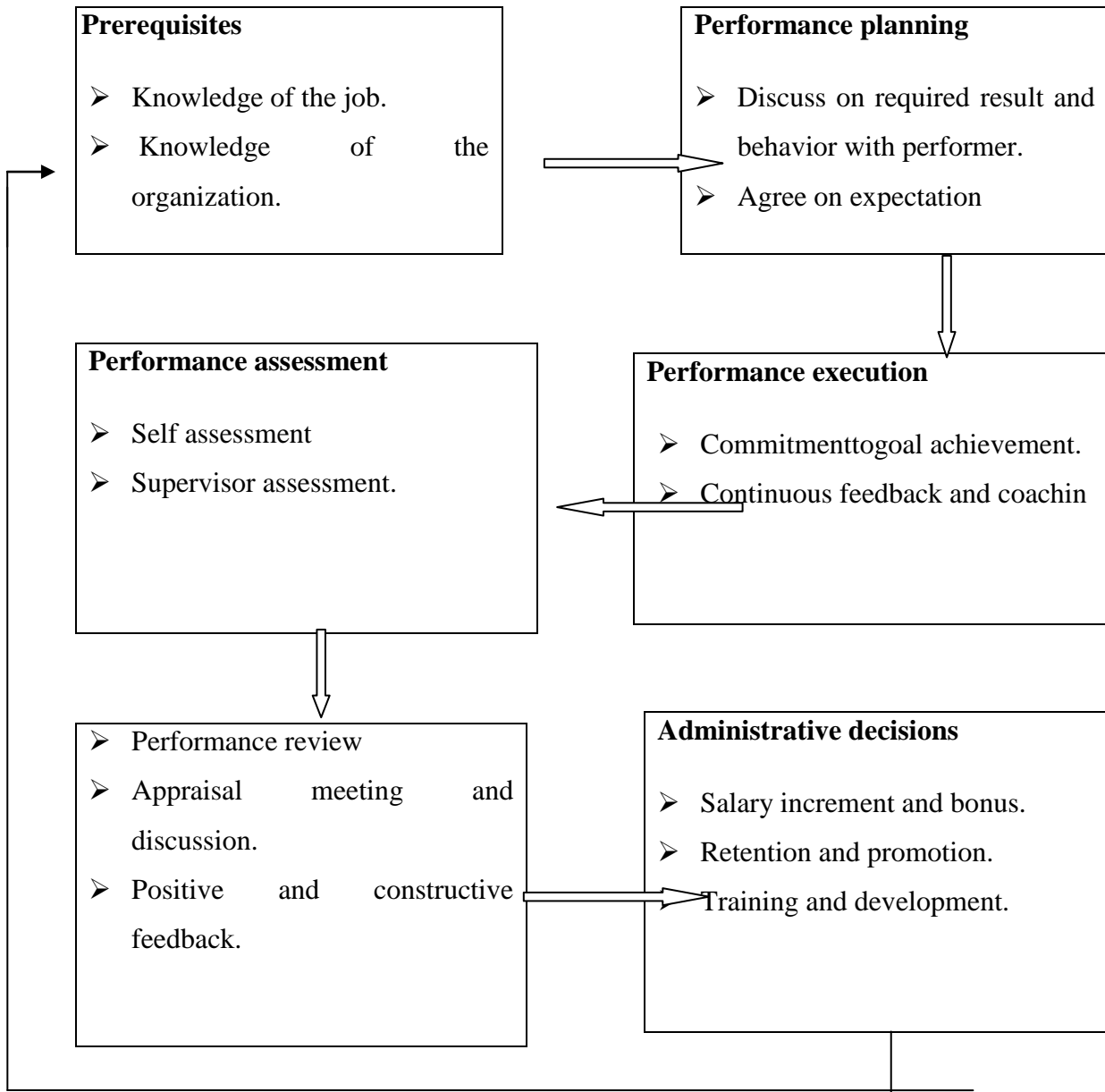


Fig 2.1 Conceptual frame work (Aguinis, 2013)

CHAPTER THREE

Research Methodology

3.1 Introduction

The objective of research methodology is to select the specific procedure or technique used to identify, select, process, and analyze information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability. (Pathak, 2015)

In this chapter incorporated titles are discussing about the study approach, design of the study, sample and sampling technique used, data collection, procedure used of data collection, data analysis, instrument reliability and validity, and ethicality issue are presented.

3.2 Research approach

Research approach is a plan and procedure that consists of the steps taken in general assumptions to specific methods of data collection, analysis and interpretation, based on the nature of the research problem being addressed. Researchers are using among one of the three common research approaches are quantitative, qualitative and mixed methods (Jasen, 2016)

Qualitative research approach involves collecting and analyzing non-numerical data to understand concepts, opinions, or experiences. It can be used to gather in-depth insights in to a problem or generate new ideas for research. (Henderson, 2009)

Quantitative research approach is a research strategy that focuses on quantifying the collection and analysis of data. It is formed from deductive approach where emphasis is placed on testing of theory, shaped empiricist and positivist philosophy. (Henderson, 2009)

Since this study was aimed to explore challenges of performance management; the data obtaining methods was consisted of a structured interview and a document analysis. A qualitative research approach was hence used. A qualitative method had been used to interpret and analyze data collected through interviews.

3.3 Research design

Research design is the framework of research methods and techniques chosen by a researcher. It allows researchers to hone in research methods that are suitable for the subject matter and setup their studies up for success. The design of a research topic explains the type of research (experimental, survey, correlation, semi-experimental, review) and also its sub-type (experimental design, research problem, descriptive case-study) (Jason, 2016).

Descriptive research is a research type which describes phenomena as they exist and it is used to identify and obtain information on the characteristics of a particular problem or issue (Geoffrey, 2005).

Descriptive research also helps to describe and asses a certain issue in detail. The objective of the study is to assess the challenges to the performance management processes practiced in BoA S.C. The appropriate type of research design used to achieve this objective was descriptive research.

3.4 population and Target Population

A population is the entire group that you want to draw conclusions about; target population is sub set of population and possible to generalize from the research. (Jasen, 2016).

Target population is the total group of individuals from which the sample might draw or a group that a researcher is interested in researching and analyzing, it is accessible population the researcher can actually study. A sample frame is then drawn from this target population. (Jasen, 2016)

In this research, the population under consideration was the whole employee community of the bank of Abyssinia working within the head office and branches. Since PMS process was centrally managed by the human resource department, possible to generalization based on the target population as a result of the homogeneity of the processes used in all branches and head office divisions.

The target population of this study included the managerial and professional employees of BoA working in the eastern Addis Ababa district branches, who had at least two years of experience at the end of the second quarter; i.e. December 31, 2020. These employees were considered as the target population because they were assumed to have adequate exposure to the performance management process cycle in BoA, and it was believed that they have better experience about PMS practice of the bank. Thus, the study excluded employees who had less than one year of experience and agency workers who were assigned non-clerical jobs because of their performance had been managing by an outsourced organization.

3.5 Participant selection.

Qualitative research is generally concerned with the use of purposive sampling (Creswell, 2013). In purposeful sampling, the researcher selects the participants and the sites. According to Creswell (2013), there is no set number of participants to interview when conducting a qualitative study. Nevertheless, Polkinghorne (1989) suggests interviewing a minimum of five participants for a qualitative study. Creswell (2013) believes that interviewing up to ten participants who have relevant knowledge and can articulate it should be enough to reach saturation for qualitative studies.

In this study purposive sampling technique was used to recruit participants. The sample taken in this research was not comprehensive and was mainly used to investigate the experience of BoA staff in PMS related activities. Criteria were set to select persons who would form the sample of the study from the population. The participants were required to have two or more years of experience in the bank.

3.6 participant selection procedure

The sample employees who worked for more than two years were selected by convenience sampling. Since all employees of BoA performance were managed centrally, the activities were homogeneous in all branches. Therefore, the researcher conducted individual interviews with 11 employees of the company to identify detail information on performance management process stage draw backs in BoA. The participants were selected to make the research representative all branch level positions; however the majorities were branch managers, because they had more knowledge and experience concerning this subject matter. Consequently, 5 branch managers, 2 branch business managers, 1 senior branch banking officers, 2 branch banking officers and 1 PMS team leader in head office were interviewed.

3.7 Data collection procedure

The primary sources of data was collected by interview; on the other hand the secondary data were obtained from performance management guideline and other performance management related documents of the bank, PMS agreement and assessment forms.

The research interview questions were developed by the researcher, following the required steps to develop the instrument. Deciding on information required in each s/tages of PMS cycle, defining the target respondents and deciding on question content and choosing the methods to reach respondents were steps followed to develop the data collection instrument.

Information required was determined based on the research objectives and literature review. Target respondents were familiar with PMS in BoA; hence, it was assumed that they would easily understand the interview contents. The interview questions were asked individually by the researcher, and the interviews were recorded for later reference and transcription.

3.8 Validity and Reliability of the Instrument

Validity of a research instrument assesses the extent to which the instrument measure what is intends to measure (Robson, 2011). It is the degree to which the results are truthful. So that it requires research instrument to correctly measure the concepts under the study. (Pallant, 2011)

According to Joppe(2000), Instrument validity pertains to the ability to accurately measure what to intend purpose to measure based on the objective of the study.

For validity purpose, important comments from research adviser were incorporated on the final instrument. This is done to address the issue of the instrument content validity.

The researcher used some practical ways to reduce the amount of bias, which was generally linked with qualitative research. The first was carrying out a pilot interview which allowed the researcher to check the quality and the understanding of the questions. Maximum validity of the results was also pursued by being clear, consistent, and precise in the duration of the interview as well as in the transcription and interpretation of results.

3.9 The research ethical consideration

Ethics is a system of moral values concerned with the degree to which research procedures adhere to professional, legal and social obligation of the participants. (Robson, 2011) Therefore, ethical consideration in research should up hold fairness, honesty, openness, disclosure of methods and the purpose for which the research is being carried out. (Polit& Beck, 2008)

Permission from the organization was obtained to conduct this research in bank of Abyssinia, performance management division head was also one of the research participant based on in advance communication to the office.

The aspect of confidentiality was given high attention. In this case, the identity of the participants was not disclosed alongside, assuring them security from any complications. The importance of ethics to a research was well considered by the researcher. The research participants should not be subjected to harm in anyway whatsoever. Dignity of

participants was respected, and full consent was obtained from the participants prior to the study. Audio recording was made by their permission. According to their recommendation fictitious names were assigned in data transcription.

The most common and highly recognized bias occurs when a researcher interprets the data to support his or her hypothesis. To avoid this confirmation bias the researcher was maintain objectivity and avoid bias with qualitative data analysis. Checking for alternative explanation and reviewing findings with peers were used to avoid confirmation bias in this research.

Chapter Four

Data analysis and interpretation

4.1 Introduction

According to shamo and resnik (2003) various analytic procedures provide a way of drawing inductive inferences from data and distinguishing the signal (the phenomenon of interest) from the noise (statistical fluctuations) present in the data.

The first difference between qualitative and quantitative data analysis is that the data to be analyzed are text, rather than numbers, at least when the analysis first begins Morrill et al. (2000).

The purpose of this study was to assess the challenges performance management system (PMS) faces in Bank of Abyssinia. As challenges were unknown phenomena before conducting this research, qualitative method was used to gather information. Hence semi-structured interview and document analysis were the sources of data used for this study.

4.2 Description of the research participants

Interviews were conducted on a total of 11 staff members of bank of Abyssinia working in various positions and within different branches. The researcher had a telephone interview held with one head office level senior staff member who was leading the performance management division. Interviews were also held with 5 branch managers(BM), 2 manager branch busines (MBB) , 1 senior branch banking officers(SBBO) and 2 branch banking officers(BBO). The researcher selected participants from different positions to obtain a representation of all staffs and to achieve multispectral perspectives of employees

4.3 Data Analysis

In fulfilling the requirement of the research objectives to be achieved, the basic research questions which were developed in proposal document were aimed to identify challenges of performance management system process in the Bank of Abyssinia. The implementation level of each performance management phase and related challenges and gaps in all stages were assessed by developing interview questions with close follow-ups by the research advisor.

The interview was purposely conducted with staff members at various positions. The researcher tried to make the interview inclusive to make it reliable and to convey all staff perspectives. Majority of the participants were branch managers, which have been good exposure to discuss performance management activities in bank of Abyssinia, As a result of they have both rater and rate experience in performance management system process.

The transcribed interview text of this study presented based on a performance management system cycle phase following the interview questions arrangements.

4.3.1 Knowledge of the PMS purpose.

Knowledge and awareness about the performance management system purpose is important and basic phase for successful implementation of PMS. The benefit of understanding the purpose of the PMS is accepted by different authors.

Collings and McMackin (2017) stated organizations that report highest levels of success in their PMS and benefited from this tool have a clear understanding of the purpose of PMS process and this clarity is shared by middle level management, the HR function and the employees.

The researcher develops question to verify awareness level of staffs and managers about the PMS tool, *“What are the purposes and ultimate objectives of PMS in BoA?”* The respondents’ answers reflect that some have better knowledge while others didn’t have adequate awareness about the purpose and ultimate objectives of the PMS system. For

example, looking at the answers of the two branch business managers (MBB); there was apparently a huge awareness difference.

Kinde said the purpose of PMS is to achieve strategic objectives, and ultimately realize vision of the bank. Human resource of BoA is organized in teams and at individual levels to meet the five year strategic plan. The tool is used to motivate and guide employees for good performance. Theoretically, good performers get rewarded and poor performer tends to get training towards common development purposes.

while the other manager branch business, Samre, said PMS is an evaluation tool for controlling employees and identifying how much they know about the work and deliver to their best to the organization.

The above interview data possible to conclude staff working in same position didn't had standardized knowledge about the system. Additionally other participants of the interview responded as follows.

Birhan- PMS is a tool used to achieve the 5 year strategic objective of the bank, and to realize its vision to become a leading commercial bank in east Africa. By using this tool, it is aimed to achieve the vision, and to align the individual and team activities with objectives.

Shalom-The purpose of PMS is to cascade tasks and targets and to control employee activities on a daily basis. The achievements are obtained by cascading tasks and evaluating achievements against cascaded plan.

Through the analysis, the other participants state that branch managers can explain the purpose and objective of PMS better than any managerial positions. This is also indicates there was a knowledge transfer gap from branch managers to staffs working in the branch.

As interview given by Mr. Tadesse, the performance management division team leader affirmed to the researcher that awareness creation gap is identified and they had planned to work on it.

Mr. Tadesse, The major challenge for this system is the awareness creation gap to all staffs, which is planned to be solved soon by preparing classroom training. He added the system was implemented only 2 years ago, in near future we will fully implement the system. He mentioned that awareness creation training was not been organizing even if we held plan, as a result of Covid-19 pandemic. However we had sent to all divisions reading material about the system.

He stated that they had been sending reading materials to branch staff. But, this method didn't bring standardized awareness to all staffs.

4.3.2 Implementation of PMS process cycle stages in BoA.

In order to get the full benefit of the tool, all stages in a PMS cycle must be implemented. The researcher presented a question to the study participants: ***“What are the processes in the implementation of PMS in BoA?”*** This question is used to verify the implementation level of a PMS cycle stages in bank of Abyssinia.

Almost all research participants respond by stating that the bank is using three stages: these are performance planning, performance execution and performance assessment stages. The remaining stages were not considered as recommended by scholars. For instance Mr. Kinde, supervisory level staff member responded about PMS process stages in BoA as set herein below.

At the branch level, our branch manager receives our portion of targets from districts. Accordingly, business related tasks are cascaded to the business team and operation related tasks are cascaded to the operation team. The branch business manager and the branch operation manager supervise the accomplishment of their respective teams, the progresses noticed in attaining the assigned target within the respective teams. With respect to Performance tracking; the actual performance level is continuously tracked manually and aided by a system. We use continuous follow-ups whether the performers are on the right track, informally review every week, month and we formally rate based on tracked data every quarter and annually. Afterwards; we provide positive reinforcement and recognition to good performers and constructive feedbacks to poor

performers. On -job trainings are also provided for development. In general, we use three stages. These are performance planning, execution and assessment.

The other respondent, Mr. Tadesse, from PMS division assured the above response through the following captioned reply.

Mr. Tewodros said: “the bank is currently using three phases: goal planning, data tracking and performance appraisal. However, in the near future when the tool becomes fully implemented, all stages will be considered specially rewarding is very important stage. This is because rewarding a good performer would become essential tool to motivate employees toward performance excellence.

4.3.3 Employee readiness activities.

The beginning stage in performance management system process is ascertaining the employees’ knowledge about the organization and knowledge of the job. The first prerequisite herein helps the organization identify where to go on to or whether to coordinate between the organization’s mission and corporate objectives with each department’s goals and objectives. The second prerequisite provides clarity regarding what each employee needs to know to carry out tasks and to achieve the required targets and guide behaviors of the performer.

According to a majority of the respondents, this stage was not implemented at the required level in all branches; in some braches, this stage applied to some extent. Mr. Simeneh, a branch manager and participant of this study, reflected the following idea for question: ***“What type of employee readiness prerequisites are fulfilled before PMS planning stage?”***

Mr. Simeneh said material fulfillment is considered to some extent. However; in relation to the bank policy, efficiently using resources(resource using tightly) is very challenging for supervisors. The other requisite fulfillment is discussing with employees to check their interest. We check their past performance trend to align employee knowledge of the job with the assignment area work with in branch.

Mr. Abdu said employee readiness must be assured at beginning of PMS stage based on the theoretical process stage. This, however, is not practically considered in the bank because the work load on branch managers inhibits them from undertaking all PMS cycles in detail.

Mr. Kinde replied for this question, by stating that PMS has only been used for 2 years old in BOA implementation, at the beginning, awareness creation training is arranged for branch managers, branch managers accordingly forward the awareness creation training to employees under their domain. Branch targets are forwarded in detail to staff regarding awareness through oral and written form as provided to the branch staff. Immediate supervisor give continuous feedback to team, which they are leading.

When analyzing the above response, some participants didn't have knowledge about employee readiness; they considered only the awareness about specific number of target. However; this stage is about knowledge of the job, knowledge of the organization and supplying required materials and equipment for the job.

4.3.4 Performance planning.

Aguinis (2013) described the planning phase activities as meeting between manager and performers for performance planning discussion meeting, discuss and agree on expected targets to be accomplished, how the workers behave in performance execution stage. In addition to that required personal development plan must be stated at this stage. A development planning is concerned with gap identification that needs improvement.

Employees' participation in goal setting and provide their idea to their supervisors plays an important role for work engagement and dedication for their performance at a later stage. Many authors in this discipline assured that the benefits of participatory goal setting process. Objective of goal setting process is an agreement on what the employee has to achieve. This phase is critical part of the PMS (Armstrong, 2010)

Regarding this stage, the researcher forwards a question **“What are the activities considered in the planning stage of PMS in BoA?”** to assess activities performed at performance planning stage in the organization.

Birhan said, corporate level target decomposed to the 10 districts, each district cascaded the target to branches under its domain. Then each branch assigned targets which were also cascaded to its operational and business team employees individually according to their roles in the branch.

Sime said: before commencing the fiscal year, branches are requested to provide a “budget call” report. This report is the specific branch potential forecasted for next fiscal year target as input for district, however, this is nominal input for target decisions because the 5 year strategic plan is already decided and usually targets are assigned to branches through an extensive disparity with the amount stated on the budget call. The branch management team will attempt to forecast the following year’s potential summarize and sent the forecasted amount to respective districts. After all districts received their targets from head office then districts cascade their targets to branch under their domain. branch manager cascade it to all branch staff members according to their position and role in the branch. In general, target setting is a one way communication in BoA. This is conducted in a way of “Just assign a target and do it” manner.

Shalom said the target cascading stage pre assessment is conducted considering the employee’s position and capability and that the plan is communicated through a system. If they have any feedback, they must accept such according to the system and employees and forward comments. The employees’ mandate is only to issue comments. At this stage; the branch manager’s role is changing employees’ role by rotation while reserving the job grade.

Kinde said that all braches initially receive their target from the district that has detailed documents, it shows the weekly, monthly, quarterly expected progress and annual total targets of the branch. Then based on the number of branch business and operation wings and by accordingly dividing the targets; their progress is followed up on by branch manager as owner of total targets of the branch. In the cascading stage, the branch management team discusses on the branch target and announces such to each performer according to their roles in the branch..

4.3.5 Performance execution

Even if the day to day activity to achieve assigned target is the duty of workers; the manager has its own part in providing timely constructive feedback and filling the employees gap, In addition to that supplying required resources and in reinforcing the good manner and achievements, and updating to his employees working on his supervision about organizational changes Aguinis (2013).

Researcher presented two questions for participants which were related to these stage activities “***What are the activities undertaken during PMS execution stage inBoA?***” and “***When do supervisors provide feedback?***”

Sime said that they create awareness about the target performance progress in their branch and that they provide feedback, facility problem, system problem solving and support any challenge their branch employees might face during the performance execution stage.

Abdu said there are two segregated teams in branch level structure, i.e. the operational and business team, which are headed by the operation and business managers respectively. The immediate supervisors take responsibility for coaching and facilitating the smooth flow of the work progress of their subordinates.

Kinde- We have close follow up as a business manager, we guide how to provide service to customers and show how to convince new prospective customers and how to facilitate for external marketing by dealing with stake holders and potential areas such as schools and colleges to recruit new customers on their premises. Our bank uses the four eyes principle in every activity of banking service. Feedbacks are formally given at the end of each quarter of the year. Constructive and positive feedback is given to all employees during this stage.

We also give informal daily feedback, as we are working on a system that checks the daily performance of each employee’s status and prepares a status report.

Tajebe- our supervisor is trying to make demanded materials are fulfilled as much as possible; and Supervisors support through on the job trainings, mentoring and coaching's.

Birhan- according to his experience; application of feedback depends on the specific manager quality. A competent manager gives feedback continuously on the spot when errors happen. However, some managers are providing feedback at the end of performance rating when employees complain on performance assessment result.

When analyzing the above interview data performance execution stage was well implemented in bank of Abyssinia, except; according to Mr. Birhan's replay, some managers were not giving feedback continuously on the right time and the error had been happening.

4.3.6 Performance assessment and data tracking in BoA

At this phase, workers and the supervisors have their own roles for evaluating about required behaviors was implemented, and whether assigned targets was achieved, based on using tracked data about each individual activity in performance period, which is mainly provided by the immediate supervisor.

The researcher used two questions, "*what are sources used for collecting performance data tracking?*" and "*How is data tracking is recorded in BoA?*"

Mr.Sime said we have operation and business teams' segregation. Business teams have direct contact with customers while operation teams are back office and providing supports to front office or business team workers.

He added Manual tracking are recorded by immediate supervisors, business and operation managers. And system tracking is automatically recorded on system at performance assessment stage extracted from the system. Manual tracking sources are customer complain and branch audit discrepancy report.

Samre said when there is an error and customers complain; or any unexpected incidents happen; the manual records and system tracking of employee activities are performed in system based on the number of transaction.

Kinde said: in addition to numerical data which are objective data tracked by system, there is subjective observation which is used to tend enhance good customer service by observing how the staff is serving and interacting with customers.

Some respondents raised some defects in performance data tracking, which caused errors in performance assessment result, and consequently lead to employee complaints on the results issued by supervisors.

Abdu said he faced a problem in performance assessment stage, when data tracking is not immediately recorded as the incidents happen and when the employee is not made to sign on the format. This is due to unavailability of recorded document for manually tracking the complaints raised from employee's side at the assessment stage. Afterwards; this problem has been solved in our branch by immediately recording tracked data on hard copy register and making the employees sign for avoidance of complaints at assessment stage.

4.3.7 Performance review.

In this phase checking of an employee's performance result and identify their achievement and weakness during the performance exclusion period, providing reinforcement for positive result and arranging development program for employee gaps identified Mc Mahon (2013).

(Aguinis 2013) defining performance reviewing stage as discussion meeting between performer and the supervisors, this phase supports to provide formal and constructive feedback to workers about their achievement and gaps. He also added that discussing negative feedback is also important in order to increase motivation of good performers and deliver a message for poor performers about mediocrity is unacceptable in the company culture.

The researcher provided questions to the respondents of the interview, “***What are the activities performed in performance review stage in BoA?***”

Abdu said evaluating employee accomplishment against plan target, and announce to the staff. When there is gap or negligence on employee side, we give constructive feedback. When the employee has good achievement we give recognition for his contribution to our branch target.

Birehan said we give plan, track performance level and appraisal is the 3rd phase we review based on cascaded plan, before that we insert manually tracked data and we announce to each employee for check and comment their result

Kinde said in his branch daily announcements are conducted formally when incidents happen or any discrepancy is faced. , at review stage; the employee is invited to check his result. if he has any comment and error happened on the result; accordingly investigation follows to solve any error.

When analyzing majority of non-managerial staff responses on the above question reflected that performance review stage was not practicing in bank of Abyssinia.

Tajeb said at this stage; PMS measures actual accomplishment against cascaded targets.

Seyfu said that they check our result and we give comment on system.

Birhan said at pms evaluation stage employees check their result, if they has disagreement; they will fill their comment in the system.

4.3.8 Administrative linkage of PMS Result.

When performance management system is applied properly it helps to improve employee motivation to achieve good performance. This system also supportive for managers to gain better insight about workers under his supervision more fair and accurate administrative actions, making clear the company objectives, developing proficient employees, decrease misconduct of workers, providing organizational change and

improving employees commitment advantages of performance management system, Aguinis (2013).

The researcher design two related questions in his interview, concerning PMS result usage for administrative decision making activities, the first question is “**What are the uses of PMS?**”

Ato Tadesse said: “our bank is currently using three phases, goal planning, data tracking and performance appraisal. However in near future when the tool is fully implemented all stages will be considered specially rewarding for good performer is the key for motivating employees for better performance”.

Abdu said that it is still not implemented as input for promotion, and that the salary and benefits are not fully linked with performance result.

Birhan said the aim is to input for promotion and salary and benefits, but still not implemented for administrative purpose. I hope in near future it will be fully implemented.

Kinde said: Overall; we are using the pms system to achieve our branch targets, evaluate every employee in branch or head office level how discharged his responsibility. Our bank linked pms result neither to promotion nor to benefits. To some extent we are using to identify employee gap and develop accordingly. I hope our bank will link it staff benefit and promotion in near future.

The second question related to this topic is the aim to verify whether the bank was reinforcing good performance, and motivating employees for maximum effort by rewarding employees for their achievement. The question was “**What are the incentives for high performing employees in BoA?**”

Ato Tadesse replied by stating that they currently didn't provide any formal reward for good performers. In the near future, they will give bonuses based on PMS result of the individuals.

Sime said that the head office has not yet made attachment of bonus, salary and promotion to PMS result.

Abdu said in our branch level; when we are in the performance review stage; we recognize the staff member who achieved the top result. As close supervisors, we provide recognition letters and acknowledgements in meeting.

Kinde said that appreciation letters are provided at the branch level. He also stated that gratitude is forwarded on meetings and that a recommendation letter for good performers is provided which he thinks can motivate employees.

Tajebe- verbal gratitude statement and written recognition letters are issued at the branch level; however our bank doesn't currently provide rewards based on individual performance.

From the data analysis of the above interview, bank of Abyssinia has not implemented performance result as an input nor has it used it for administrative decision or for rewarding employees.

4.4 Challenges of PMS

Lack of knowledge and appreciating its purpose by employee and supervisors leads to absence of co-operation for its proper implementation from both the management and the employee side are some of the main challenges facing the organizations in PM, Mac Mahon (2013).

Aguinis (2013) described that lack of focus on important points in PMS, lack trust between supervisors and workers, faulty assumption, emphasizing only on rules and regulation without effective communication and constructive relationship, partially implementation of the system without even getting buy-in from leaders and employees are some of the challenges in many organizations.

The researcher presents question for this research participant in regard to this topic ***“What are the challenges you face during implementation of PMS in BoA?”***

Tadesse said that due to the lack of awareness, most employees consider this system as a performance appraisal, and appraisal is only a phase in the pms. And some individuals fear the system because they perceived this system despises their poor performance.

Abdu said in PMS all performers focus on their own numerical targets, it creates an obstacle on flexibility. Supervisors face difficulty when they face a temporary task to carry out a task or fill in a vacant position in the branch.

Getnet said the HRM division did not properly implement the tool. For, example; job roles do not have equal challenges to achieve their targets. Back office and front office achievability is different. Front area work is very challenging work to achieve. You can take football team as an example, the defense and goal keeper's role can be considered, When defensive players are not performing well, the goal-keeper will become vulnerable and the opposing team may score against him. Another challenge is Promotion is not linked to PMS result, and administrative action also not linked with PMS result, therefore the function of the tool is not utilized in branches.

Seyfu bitterly said: "I faced some challenges in my previous branch, at some time I was a top performer in that branch, unfortunately one day I committed one critical error on the work process accidentally. After that error, my manager threatens me as poorly performing worker without considering my performance before that incident in that branch"

Samre said lack of awareness on manager's side, giving similar rate to all employees and biasedness on subjective part of rating discouraged employees

These are challenges raised in relation to PMS.

All participants raised challenges related to PMS. All remaining replies are directly or indirectly similar to the above contents.

Chapter Five

Summary of findings, Conclusion and Recommendations

Data found from the recorded and transcribed interview was presented in chapter four. In this chapter, the research finding conclusion and recommendations will be summarized based on the analysis.

5.1 Summary of findings

The researcher developed interview questions based on objectives of the research; challenges hinder to achieve optimal level PMS benefit. The interview recorded using audio device and transcribed and presented in chapter four. From the data interpretation challenges of the performance management system process in Bank of Abyssinia, the research findings are summarized below.

- ❖ As per the analysis made many of the employees were at an average understanding level about the purpose of the PMS tool. Also they had knowledge of the organization's vision, objectives; we could probably conclude that they know the alignment of their performance with the bank's objectives. However majority of participants' responses assured that the PM process phases were not clearly described to them.

- ❖ In performance planning stage the bank prepared standardized job description for all roles, and all staff understands what were expected results and behaviors. Furthermore; however goal setting process is not participatory and the organization cascades goals in command manor, employees are allowed only to write their comment on PMS agreement form if they have any comment, hence the company was not providing opportunity for employee to participate in plan setting.

- ❖ Performance execution stage activities are well practicing in BOA. Respondents working in non-managerial position replayed that their supervisors provide timely feedback and any support. And managerial position staff of the research participant assured that they exercise followup and give feedback when observing gap on their staff activities. Performers had been getting the necessary support in terms of resource and coaching in order to accomplish targets. They had also confirmed that supervisors duly notify them of organizational changes that affect their performance.

- ❖ At the assessment level, majority of the respondents confirmed that their performance had been collecting from different sources, manual and system based data tracking; however self-assessment right is not given them. However self-assessment was not implemented in BOA. As per the analysis made, errors were rated by supervisors because of the unavailability of data tracking immediately when the incident happened in some branches.
- ❖ As per data presented some employees replied that sometimes performance error has been committed by managers as a result of subjective nature of some targets and data tracking document handling problem.
- ❖ Majority participants of the study reflected formal performance review meeting not implemented in BoA. At performance review stage discussion about weakness not practiced, rewarding to top performers not provided, developmental plan for poor performance not organizing on time. As well as not providing formal reinforcement and recognition on meeting for good performers.
- ❖ All participants response including the PMS team manager assured that PMS result using as input for administrative decision making is not implemented, the system was using only for controlling and monitoring purpose. The company partially implemented this stage that was to identify employee gap for training development. It was created obstacles for good performer to be rewarded based on their contribution towards the company's achievements, and promotion, bonus

and salary increment were not linked to PMS result. Formal way of good result reinforcement and individual level incentive were not implemented.

- ❖ The most problematic PMS stage in BoA was performance review and performance result usage for administrative decision making. There was no formal meeting for feedback and reinforcement, in order to motivate poor performers and recognize best performer. According to all research participants performance result had not any formal consequence. Developing good performance culture requires performance results usage for benefits, salary, promotion, training and development.

- ❖ The major challenge of the performance management system was partially implementation of the system, awareness disparity among supervisors, lack of participatory goal setting, lack of SMART goals, Inconsistent data tracking, biasedness of supervisor on subjective goals evaluation and PMS result not being used as input for administrative decisions.

5.2 Conclusion

As indicated in literature review part, any organization to manage its HR effectively and efficiently, PMS tool plays a critical role. Almost every type of organization is taking PMS as one of the major and important tools of all levels of management and employees in their organization. Companies' PMS stages' proper implementation is a critical decision to get a competitive advantage from the industry.

By consideration of the advantages of properly implementing PMS phases, this project was conducted on an assessment of challenges of the PMS process in Bank of Abyssinia S.C with a general objective of assessing and describing challenges which hinder PMS phases' practice in the company. Based on a summary of findings, the company performance management process has both strengths and weaknesses in the implementation of the PMS cycle phases.

Based on a summary of findings, the company performance management process as a newly implemented tool has both strengths and weaknesses in implementation. The assessment

results of PMS process activities in bank of Abyssinia, both strength and drawbacks will be presented on subsequent paragraphs.

Based on presented and analyzed interview data findings of this project is identified that some workers have better understanding about ultimate objective of the tool. Regarding to employee's knowledge about their organization is good; most of the research participant knows the company vision mission and values.

According to document analysis and observation of researcher, corporate level objective and districts targets in coherent direction, in turn districts target are well aligned with branches target, finally each branch of Abyssinia bank aligned to workers day-to-day activity employee. All employees have job description and targets are clearly defined to workers when cascading targets in each PMS cycle period. Majority of respondents replied that when performing their targets constructive feedback given immediately at errors happening. Furthermore supervisors discharge their duty by coaching, supplying resources, informing workers by internal mails when take place any change in the bank.

however in other hand not using the result of PMS for administrative purposes such as promotion, salary and benefit, lack of SMART objectives setting practice, targets setting discussion meeting not practiced, lack of timely awareness creation for employee about PMS process, lack of self-assessment practice, some targets are subjective and exposed for rater biasedness. The other challenges are inadequate knowledge and negligence of managers, and evaluation errors are the major drawbacks of PMS process in BoA.

5.3.Recommendations

The specific objectives of this research were:-

- 1) Identify each PMS phase's activities implemented in Bank of Abyssinia to find out missed activities of PMS process.
- 2) To determine which part of PMS cycle phase need improvement to get all benefits of the phase.
- 3) To find out the critical problematic one among PMS implementation process phases.

Data gathering, analysis and interpretation are conducted in perspective the research objectives stated above the following recommendations are forwarded to Bank of Abyssinia Share Company, these recommendation will enhance the PM full benefit and enable the bank to manage its human resource utilize effectively and efficiently.

- ❖ Awareness creation about PMS and its process phase must be elaborated to all staff to update standardized level all employee knowledge about the system.
- ❖ Performance planning process must be based on two way communication, employee and supervisor discussion on each goal and create consensus is critical activity to make employees devoted to their work.
- ❖ Data tracking is critical task for fair and unbiased performance assessment result; manual data tracking should be performed on the spot when incident or error happen. As much as possible targets must be objective nature instead of subjective one in order to minimize supervisor biasedness error.

- ❖ Performance review stage is important for giving feedback to performers, recognition and reinforcement for good performers, and constructive feedback for poor performers support to get their poor performance root cause for upcoming period achievement.
- ❖ The most problematic phase in the process of PMS in BoA is the result usage. Performance result must be used as input for administrative decisions making, such as promotion, salary increment and other benefits must be linked with this system. Good performers should be rewarded and for poor performers development and training program organized to fill their gap.
- ❖ Even if the system is new for BoA all phases must be carefully implemented as soon as possible to exploit the tool benefits and to make the bank more successful in the industry.

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Appendix -1

**ADDIS ABABA UNIVERSITY COLLEGE OF
BUSINESS AND ECONOMICS SCHOOL OF COMMERCE
GRADUATE STUDIES PROGRAM
Department of business leadership**

I would like to express my great gratitude in advance for your willingness to spend your precious time to provide answers for my academic purpose questions.

The main purpose of this study is to identify challenges of Performance Management process in BOA Share Company, and to find out problems related to the subject matter under the research topic.

As this study is meant only for academic purpose, the provided information from this interview will be kept confidential. I, therefore, kindly request you to answer the following questions honestly and accurately based on your organization PMS process activities.

INTEVIEW QUESTIONS

- 1) Please introduces me your name, service year and current position in BoA?
- 2) What are the purposes and ultimate objective of PMSinBoA?
- 3) What are the processes in the implementation of PMS in BoA?
- 4) What type of employee readiness prerequisites are fulfilling before PMS planning stage?
- 5) How is individual performance aligned to branch target and corporate objectives in BoA?
- 6) What are the activities considering in planning stage of PMS in BoA?

- 7) What are the activities undertaken during PMS execution stage in BoA?
- 8) When do supervisors provide feedback?
- 9) What are methods do use to develop employee?
- 10) What are sources used for collecting performance data tracking?
- 11) How is data tracking is recorded in BoA?
- 12) What are the activities performed in performance review stage in BoA?
- 13) What type of PMS error you face in BoA?
- 14) What are the uses of PMS?
- 15) What are the incentives for high performing employees in BoA?
- 16) What are the challenges you face during implementation of PMS in BoA?
- 17) Any general comments regarding PMS.

Thank you very much for your cooperation.