Addis Ababa University

College of Business and Economics

School of Commerce

Department of Business Administration and Information System

ASSESSMENT OF PROSPECTS AND CHALLENGES OF EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM: A CASE OF COMMERCIAL BANK OF ETHIOPIA (ADDIS ABABA AREA)

By: Mulu Bishaw

A thesis submitted to the School of commerce of Addis Ababa University in Partial Fulfillment of the Requirements for the Degree of Masters of Arts in Human Resource Management

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Addis Ababa, Ethiopia

May, 2016

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This is to certify that the thesis prepared by Mulu Bishaw Mekonnen entitled "Assessment of Prospects and Challenges of Employee Performance Management System: A case of Commercial Bank of Ethiopia (Addis Ababa Area)", which is submitted in partial fulfillment of the requirements for the Degree of Masters of Art in Human Resource Management, complies with the regulations of the University and meets the accepted standards with respect to standards to originality and quality.

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Declaration

I, the undersigned, declare that this thesis entitled ‘‘**Assessment of Prospects and Challenges of Employee Performance Management System: A case of Commercial Bank of Ethiopia (Addis Ababa Area)**’’ is my original work and has not been presented or submitted partially or in full by any other person for a degree in any other university, and that all sources of materials used for the purpose of this thesis have been duly acknowledged.

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Date______________________	Date______________________

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Acronyms

CBE- Commercial Bank of Ethiopia

EPMS- Employee Performance Management System

HRM – Human Resources Management

PMS- Performance Management System

Abstract

The purpose of this study was to assess the challenges and prospects of employee performance management system implemented in commercial Bank of Ethiopia. The study used descriptive method of study with cross sectional survey and used mixed research approach. This study has used stratified random sampling to select questionnaire respondents and purposive sampling to select interviewees. The research objectives were to assess the prospects and challenges of employee performance management system, to identify benefits gained from and challenges faced in implementing the system, to assess employees' perception towards employee performance management system and to evaluate performance management processes in the bank. Primary and secondary data were used. The analysis was done by the help of SPSS and presented using descriptive statistics; frequency tables, percentages, bar and pie charts. The scope of the study was limited to branches and head office within Addis Ababa area. The findings of the research 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 helps 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 the researcher 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, a tendency of giving 1 and 4 only for non financial targets. Furthermore, the result of evaluation did not attach with reward and recognition schemes. On the basis of the findings, the researcher recommended that the bank has to be making sure that equal jobs are assigned for equal positions, prevailing fair job rotation, attaching performance evaluation results with reward and recognition programs so that the issue of underperformance will be solved. The bank has also work with training of supervisors on assessment to make rating standard/uniform across assessors and branches/process

***Key words:* Employee Performance Management system, commercial bank of Ethiopia, challenges and prospects.**

CHAPTER ONE

1. INTRODUCTION

In this section of the study, the researcher included back ground of the study, background of the company, statement of the problem, basic research questions, general and specific objectives of the study, operational definition of terms, study significance ,scope of the study, limitation of the study and organization of the study.

1.1 Background of the Study

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. Customers want to get the right answer at the right time and they want to receive their products and services promptly and accurately. Only people can make these things happen and produce a sustainable competitive advantage (Aguinis, 2009). Human resource management is fundamental to all management activity in that it is a series of activities which: first, enables working people and the business which uses their skills to agree about the nature and objectives of their working relationship; and, second, ensures that the agreement is fulfilled. Performance Management as one of the aspects of human resource management is a process of advancing the performance of the organization to the higher expectation by developing the performance of individuals and teams in a systematic way (Armstrong, 2009). Performance management systems are key tools that can be used to transform people's talent and motivation into a strategic business advantage (Aguinis, 2009). It is the process of cascading the goal of the organization down to teams and individuals with the aim of getting a better result (Armstrong, 2009). In an effective performance management system, it is easy for managers to evaluate and measure individual performance and increase productivity by aligning individual and strategic objective, providing visible and clear performance expectation, documenting individual's performance for future decision and focusing on skill development plan. Having the right performance management system is a concern of every organization because it is an important gear of any organization to be a front runner in the market by evaluating and developing employee performance in order to get enhanced organizational success.

As indicated from the company manual, starting from November 2010, the Commercial bank of Ethiopia has initiated the institutionalization of the balanced scorecard as a strategic management tool that would enable it to formulate and implement its strategy and track its performance accordingly. Since then, it has successfully implemented it in terms of achieving objectively measuring the contribution of processes, districts and branches towards the realization of the annual goals and targets proposed at the respective levels. This has created a fertile ground to link employees' performance with organizational objectives and goals. This in effect has brought about the creation of a mechanism that helps to visualize explicitly their contributions at corporate level as well. However, the integration of corporate performance indicators and measuring the outcomes at the individual level was missing. Following this, the implementation of employee performance management system was begun with the main aim of aligning the strategic objectives of the bank to that of individual level so that each individual employee performance will be tracked in relation to the targets or goals given to the respective place of assignment. It is also implemented to provide a context in which the development need of the job holders can be addressed and allows the bank to manage its resources within a strategic framework and achieve better performance so that the bank can realize its vision to become a world class commercial bank by the year 2025. Cognizant to this, the main aim of the research is to assess the prospects and challenges of employee performance management system in the bank.

1.2 Background of the Organization

Commercial Bank of Ethiopia is the leading and Pioneer bank to introduce modern banking to the country which was established in 1942. Since its establishment it has made a lot of improvements and currently it has more than 1000 branches stretched across the country. It is the leading African bank with an asset of 311 billion Birr as on September 30th 2015. CBE plays a catalytic role in the economic progress & development of the country. It is the first bank in Ethiopia to introduce ATM service for local users and currently it has more than 11 million account holders. CBE has strong correspondent relationship with more than 50 renowned foreign banks like Commerz Bank A.G., Royal Bank of Canada, City Bank, HSBC Bank, and it has a SWIFT bilateral arrangement with more than 700 others banks across the world. CBE combines a wide capital base with more than 22,000 talented and committed employees. CBE is the Pioneer to introduce Western Union Money Transfer Services in Ethiopia early 1990s and currently working with other 20 money transfer agents like Money Gram, Atlantic International (Bole), Xpress Money. It has opened four branches in South Sudan and has been in the business since June 2009. CBE has reliable and long-standing relationships with many internationally acclaimed banks throughout the world (www.cbe.com.et)

Vision and Mission of the bank

The vision of CBE is: To become a world-class commercial bank by the year 2025. And its mission is ‘’Being committed to best realize stakeholders' needs through enhanced financial intermediation globally and supporting national development priorities, by deploying highly motivated, skilled and disciplined employees as well as state-of-the-art technology. They strongly believe that winning the public confidence is the basis of our success’’.

1.3 Statement of the Problem

The reason for the existence of performance management system in an organization is to improve organizational result, deploy a culture that will attract and develop employees, create a good relationship between leaders and employees, enhance meaningful work cooperation among employees, generate an opportunity for growth and development and to make clear on an understanding of work objectives. Effective performance management systems have a well-articulated process for accomplishing evaluation activities, with defined roles and timelines for both managers and employees. Especially in organizations that use performance management as a basis for pay and other HR decisions, it is important to ensure that all employees are treated in a fair and equitable manner (Pulakos, 2004).

The commercial bank of Ethiopia has implemented employee performance management system in order to aligning the strategic objectives of the bank to that of individual level. However, as shown in the performance management system follow-up report of the bank (2014), the implementation has been encountered different types of challenges like; unbalanced goals and targets were assigned for employees assigned at different assignments while they are at the same job grades, un alignment of performance management system with benefit packages and two extreme appraisal score (1 and 4) for internal business process target have been given. There is a tendency of evaluating individual performance on the target not actually given for them in the bank.

Through a well developed and motivated staff, achieving its vision and mission means a lot for the bank. As a result commercial bank of Ethiopia needs a well designed and implemented performance management system to enhance the performance of its employees who are responsible in serving variety of customers.

1.4 Research Questions

Considering the importance of employee performance management system and some above mentioned implementation problems in the bank, the main aim of the study is to assess the prospects and main challenges of employee performance management system in Commercial Bank of Ethiopia through addressing the following basic research questions;

1. What are the benefits gained from the implementation of employee performance management system in CBE?
2. What are the major challenges that affecting the employee performance management system?
3. What are the perceptions of employees towards employee performance management system in the bank?
4. Does the processes of performance management being conducted in an objective manner?

1.5 Objective of the study

The overall objective of this study is to assess the prospects and challenges of employee performance management system in Commercial Bank of Ethiopia and to forward possible solution for the actual problems. Specifically, the researcher has addressed the following specific objectives;

1. To identify the benefits gained from performance management system is implementation in the bank.
2. To find out employees perception toward employee performance management system of the bank.
3. To explore the challenges encountered while implementing employee performance management system.
4. To assess whether the processes of performance management practiced objectively or not.

1.6 Operational Definition of Terms

Performance: is the level of output or result accomplished against a given targets and the way how it accomplished.

Employee performance management system: a mechanism designed to aligning the strategic objectives of the organization to that of individual level so that each individual employee performance will be tracked in relation to the targets or goals given to the respective place of assignment.

Challenges: refers to limitations, drawbacks or shortcomings that restrict smooth implementation of employee performance management system in the organization

Prospects: refers to achievements or success obtained as a result of employee performance management system implementation.

1.7 Significance of the study

The study has assessed the prospects and challenges of employee performance management system practiced in commercial bank of Ethiopia.

Furthermore, the study will enable;

1. The commercial bank of Ethiopia to obtain the necessary feedback and take corrective measure to ensure the successful implementation of performance management system.
2. To broadens the knowledge of the researcher about the subject matter with a range of practical application of performance management system.
3. It might be an input for other banks who are interested in designing and implementing a performance management system.
4. To trigger other study in the area and can be used as an input for further research.
5. To add something on the literature regarding the performance management system.

1.8 Delimitation of the Study

This study would be more important, if all private and government commercial banks included. However, it would be practically unattainable to conduct due to different constraints. Therefore this study has focused only on an assessment of the prospects and challenges of employee performance management system implementation at commercial bank of Ethiopia particularly in Addis Ababa area.

1.9 Limitation of the Study

This study was conducted within an organization where the researcher is an employee of the case organization and a participant in the performance management system. This may imply a certain level of subjectivity based on the researcher's own perceptions for the system and his personal experience of such a system. However, care was taken to reduce such biases through the enhancement of trustworthiness and quality and following scientific research procedures.

The study also focuses on commercial bank of Ethiopia (Addis Ababa area), and this presents a limitation in that the findings may not be generalized to other organizations, government and private sector industries in Ethiopia.

1.10 Organization of the Study

The study has been a composed of five chapters. The first chapter deals with the introduction part includes the background of the study, statement of the problem, objectives of the study , operational definition of terms, significance of the study, delimitation/ scope and time schedule of the study. Chapter two has included related literature review where detail discussion about the topic has been undertaken. The third chapter has presented the research design and methodology. In the forth chapter data presentation, analysis and interpretation have been discussed. The last chapter covered the summary of major findings and conclusions drawn from the findings and also the possible recommendations has been forwarded by the researcher.

CHAPTER TWO

2. RELATED LITRATURE REVIEW

In this part of the study, the researcher has reviewed related literatures. This chapter includes the theoretical review, empirical review from previous related works and finally conceptual framework has formulated. Furthermore, lessons drawn from literature were forwarded.

2.1 Theoretical Literature Review

2.1.1 Definition of Performance

Performance can be defined as 'the act or process of performing a task or an action that involve a lot of effort' (Oxford Advanced Learner Dictionary, 2006). According to Smither and London, 2009 it can be also defined as a combination of both results (what need to be achieved) and behaviors (how to be achieved). In a simple way performance can be also regarded as a record of an outcome or accomplishment achieved by a person or a team (Armstrong, 2009). Therefore it is possible to say that when managing performance both inputs (behavior) and outputs (results) need to be considered since they are interrelated. And, behaviors emanate from the performer and transform performance from abstraction to action.

2.1.2 Performance Management

Performance management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams (Armstrong, 2006).Performance management is a continuous process of identifying, measuring and developing performance in organizations by linking each individual's performance and objectives to the organization's overall mission and goals (Aguinis, 2009). Therefore performance management is a tool which enables to improve organizational performance by clearly aligning the general objectives and mission of the organizations with each individual/ team goals. In most cases performance management system and performance appraisal are interlinked with each other. However, performance management is the broader one which identifies measure, manage and develop performance of the human resource in an organization whereas performance appraisal is the sub set of performance management in which we use it for evaluating the competence of employee's (Robert and John, 2013). Performance management is a process of improving the performance of an organization by helping individuals and team to develop their capacity to reach the intended destination (Armstrong, 2006). Smither and London, 2009 also define performance management as it 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".

Performance management is an integrated and systematic process of sustaining the success of organization by improving the performance of the people who work in them and also it is developing the capacity of individuals and team who contribute to the organization. It is also a strategic process in a sense that it deals with the broader issue of the organization efficiency to meet the market demands and long term goal (Armstrong, 2000). When we say performance management is an integrated process, first it is linking of the organization objective with the teams and individual core competences as well as integration of different aspects of human resource management including, organizational development, human resource development, reward and recognition to ensure excellence in the management and development of people. Performance management is based on the agreement of objectives, knowledge, skill and capability (competence) requirements, performance improvement, and personal development plans. It involves the joint and continuing review of performance against these objectives, requirements and plans and the agreement and implementation of improvement and further development plans. Many factors will impact the effectiveness of an organization's performance management system, but three are most important. First, the system needs to be aligned with and support the organization's direction and critical success factors. Second, well-developed, efficiently administered tools and processes are needed to make the system user friendly and well received by organizational members. Third, and most important, is that both managers and employees must use the system in a manner that brings visible, value-added benefits in the areas of performance planning, performance development, feedback and achieving results (Pulakos, 2004).

2.1.3 Processes of Performance Management

Most authors have agreed on the meaning of performance management that, it is a continuous process that engages both the manager and an employee to set out how they can best work together to achieve the required results. As a result performance management system has its own process in order to execute the system effectively. Even though there are different processes of performance management system indicated by different authors, the most common and concrete one is a process which encompasses four phases which are performance planning, performance execution, performance assessment and performance review stages. Each phase will be discussed briefly as follows.

2.1.3.1 Performance Planning

According to Smither and London (2009), the performance planning cycle of performance management system is the first stages where employees will be enable to have a clear knowledge about the system. It is the first cycle where supervisor and employee meet to discuss and agree on what is to be done and how it is to be done by combining the result, behavior and development plan. By results we mean the outcomes that an employee must perform quality products and services with time in accordance to personal accountabilities. On the other hand, behavior is an important measure of results on how employees do their job by discussing on competencies, which are measurable clusters of knowledge, skills, and attitudes (KSAs) that are critical in determining how results will be achieved. The third component of a planning phase is development plan. It is identifying areas of improvement and setting goals to be achieved in each area. It usually includes both results and behaviors. 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. And it helps employees to identify how continually learn and grow, to see the possibility of being better in the future and helps them to avoid performance problems faced in the past.

To show the difference between result and behavior Grote, (2002) identified that, results include actual job outputs, countable products, measurable outcomes and accomplishment, and objectives achieved. It deals with what the person achieved. However, behaviors include competencies, skills, expertise and proficiencies, the individual's adherence to organizational values, and the person's style, manner and approach. Behaviors deal with how the person went about doing the job.

Performance planning is a discussion between supervisor and employee with the agenda of coming to agreement on individual's key job responsibilities, developing a common understanding of the goal and objective that needs to be achieved, identifying the most important competencies and creating an appropriate individual development plan (Grote, 2002). While conducting the performance planning cycle, there are some responsibilities which will be expected both from the supervisor and the employee before the discussion and during the discussion. The responsibilities of the supervisor before the meeting is first to review the organization's mission, vision and values statement and department's goal, the second one is reading the individuals job description and thinking about the goals and objectives which the employees is expected to achieve in the appraisal period. The third and the forth responsibilities of the supervisor is identifying the most important competencies and determining what consideration should be taken to the successfulness of performance in each area respectively. In addition to these during the meeting the supervisor will be responsible to discuss and come to an agreement with the individual on the most important competencies, key position responsibilities and goals and also he/she is responsible to come to an agreement on the development plan of an employee. On the other hand the employee has also the same responsibilities while conducting the performance planning stage in order to make the performance management system effective and successful.

Components of Performance Planning

Performance planning is the process of setting goals in relation to the key accountabilities associated with your role. Commonly, setting performance goals involves having an understanding of your key accountabilities, setting goals in relation to these accountabilities, and deciding how you will measure the achievement of your goals (L. Kirkpatrick, 2006).

In general according to Armstrong (2009) performance planning among others includes: agreement on goals/objectives, performance standards, performance measures, key result areas, and agreement on personal development needs.

1. **Goals/ objectives**

According to Grote, 2002 goal setting is one of the key elements of performance planning. In addition to identifying the key responsibilities of the individual's job and the competencies or behaviors that the organization expects everyone to display, another critical element is setting appropriate goals for the upcoming year.

2. **Performance standards**

   Performance standards are management approved expressions of the performance threshold(s), requirement(s), or expectation(s) that employees must meet to be appraised at particular levels of performance (United States Office of Personnel Management, January 2001). Standards of performance are different from objectives. Objectives should be set for an individual, rather than for a job. Therefore, a manger who has several employees who do the same job will have one set of standards for the job but may have different objectives for each person (for mediocre or outstanding), based on that person's experience , skills, and past performance

3. **Performance measures**

   In identifying what the key responsibilities of a position are; the manager and the individual need to discuss how the person's performance will be measured and evaluated. There is a difference between output measures and outcome measures. An output is a result that can be measured quantifiably, while an outcome is a visible effect that is the result of effort but cannot necessarily be measured in quantified terms. According to Grote, 2002) there are four general measures of output: Quality, Cost, and Timeliness. Armstrong (2009) suggested that measures of outcome include: changes in behavior; completion of work/project; acquisition and effective use of additional knowledge and skills etc.

4. **Key performance indicators**

   KPIs define the results or outcomes that are identified as being crucial to the achievement of high performance.

2.1.3.2. Performance Execution

Once the performance-planning phase has been completed, it's time to get the job done to execute the plan. Performance execution is the second phase of an effective performance management process. For the individual, the critical responsibility in phase two is getting the job done achieving the objectives. Even if the line share of this phase will be taken by the employee, but the appraiser have also two major responsibilities: creating the conditions that motivate, and confronting and correcting any performance problems. In an effective performance management system, performance execution also includes a midterm review to ensure that performance is on track (Grote, 2002).

Smither and London (2009), has also mentioned the following responsibilities of supervisor in the execution stage of performance management system.

1. **Observation and documentation**: - it is an observation and documentation of employee's performance in a daily basis which helps to keep track of both good and poor performance.

2. **Updates**: - when there is a change in organizational goal, supervisors must update and revise the initial planned objectives, standards, key accountabilities and key competencies accordingly.

3. **Feedback**: - in order to improve performance, feedback should be provided regularly before the time of assessment and also supervisors should coach and mentor employees every time.

4. **Resources**: - without sufficient resource it is difficult for employees to achieve the planned objective. Thus supervisors have a responsibility of ensuring the availability of the necessary supplies and funding to perform the job properly.

5. **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.

As the responsibility of supervisors was cited by Smither and London, Dick Grote states the responsibilities of employees as follows.

1. **Get the job done: -** performing the agreed objectives, competencies and development plan at the performance planning stage is solely the responsibility of the employee by carrying out them on a daily activity.

2**. Solicit performance feedback and coaching**: - even though giving feedback is the responsibility of supervisors, employees have to also ask for feedback on their performance and plead for coaching and mentoring while they face some problems in executing their day to day job.

3. **Communicate openly with appraisers on progress and problems in achieving objectives**: - at the performance execution stage, employees should feel free to communicate with their supervisors regarding their progress as well as problems while trying to achieve their objectives.

4. **Update objectives as conditions change:** - whenever there is a change in organizational objective, employees should update their objectives as well in order to comply with the new change.

5. **Complete the development plan:** - once employees put their development plan in the planning process, they have to complete it before the performance assessment stage. This is because without employees' development, performance management system is like a bird with one wing that does not able to fly.

6. **Keep track of achievements and accomplishments**: - employees should register their achievements and accomplishments while performing their job. This will help them to point out the major achievements at the time performance assessment with their supervisors.

7. **Actively participate in the midterm review meeting: -** this is the chance where employees can reach on an agreement with their supervisors about their performance in the past and the areas of improvement for the future.

2.1.3.3. Performance Assessment

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 (for example, peers or subordinates), in most cases the direct supervisor provides the information. 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 process provides better information to be used during the review phase (Smither and London, 2009).

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. Specifically, the inclusion of self - ratings helps emphasize possible discrepancies between self-views and the views that important others (that is, supervisors) have. It is the discrepancy between these two views that is most likely to trigger development efforts, particularly when feedback from the supervisor is more negative than are employee self - evaluations. The benefit of self-appraisal is to reduce an employee's defensiveness during the assessment meeting and also in increase employee's satisfaction and trust in the performance management system. The time for the formal performance appraisal nears, the manager reflects on how well the subordinate has performed over the course of the year, assembles the various forms and paperwork that the organization provides to make this assessment, and fills them out. The manager may also recommend a change in the individual's compensation based on the quality of the individual's work (Grote, 2002). Habitually, people think that performance appraisal is an event required by the personnel department in which the manager fills out the form and then uses it to give feedback which is totally wrong. Rather performance assessment is one of the most important processes in performance management system in which supervisors are assessing their subordinates regarding their performance in the past which lays a ground for keeping the strength and improving on the weaknesses and working on the development plan for the future. Managers often complain that evaluating someone's performance is difficult. The reason that they find it difficult is usually that they have not done a good job of performance planning at the beginning of the year. If a manager has not held a planning discussion at that time, it's difficult to evaluate performance at the end of the year.

Methods of Assessment

According to Armstrong, 2006 there are seven ways of assessing performance:

1. Overall analysis of performance:

An overall analysis is a form of assessment, as it will reveal strengths and, possibly, weaknesses, which indicate where development can usefully take place.

2. Narrative Assessment

A narrative assessment is simply a written summary of views about the level of performance achieved. This at least ensures that managers have to collect their thoughts together and put them down on paper.

3. Rating

A rating scale is supposed to assist in making judgments and it enables those judgments to be categorized to inform performance or contribution pay decisions or simply to produce an instant summary for the record of how well or not so well someone is doing. Rating scales can be defined alphabetically (a,b,c etc) or numerically (1,2,3 etc). Initials (ex for excellent etc) are sometimes used in an attempt to disguise the hierarchical nature of the scale. The alphabetical or numerical scale points may be described adjectivally, for example a = excellent, b = good, c = satisfactory and d = unsatisfactory.

Alternatively, scale levels may be described verbally as in the following example:

Exceptional performance: exceeds expectations and consistently makes an outstanding contribution that significantly extends the impact and influence of the role.

Well-balanced performance: meets objectives and requirements of the role; consistently performs in a thoroughly proficient manner.

Barely effective performance: does not meet all objectives or role requirements of the role; significant performance improvements are needed.

Unacceptable performance: fails to meet most objectives or requirements of the role; shows a lack of commitment to performance improvement, or a lack of ability, which has been discussed prior to the performance review. The number of rating levels can be three, four, five or even six levels.

4. Forced distribution

Forced distribution means that managers have to conform to a laid-down distribution of ratings between different levels.

5. Forced ranking

Forced ranking is a development of forced distribution.

Rankings can be generated directly from the assignment of employees to categories (eg A, B and C) or indirectly through the transformation of performance ratings into groups of employees.

6. Quota systems

Quota systems lay down what the distribution of ratings should be and adjust the ratings of managers after the event to ensure that the quota in each level is met.

7. Visual methods of assessment

An alternative approach to rating is to use a visual method of assessment. This takes the form of an agreement between the manager and the individual on where the latter should be placed on a matrix or grid, In the performance assessment stage supervisors have the following major responsibility which helps them to evaluate their subordinate effectively and fairly.

1. **Review the original list of competencies, goals, objectives, and key position responsibilities**: -since performance assessment is made based on the goals, objective and competencies listed in the performance planning stage, supervisors should review them so as to cascade the assessment from them.

2. **Prepare a preliminary assessment of the employee's performance over the entire year: -** it helps to have a clear picture on the performance of the employee while accomplishing their planned objective as well as achieving organizational goal.

3. **Review the individual's list of accomplishments and the self-appraisal:** - assessing the accomplishment made by the employee and referring to self-appraisal will help supervisors to remind every accomplishments and failure so as to make an accurate evaluation accordingly.

4**. Prepare final assessment of the employee's performance:** - after reviewing the data gathered through self-appraisal, peer appraisal and self-evaluation made by supervisors, the final assessment should be prepared with fair judgment.

5. **Write the official performance appraisal using the appraisal form**

6. **Review the appraisal with the manager and obtain concurrence**: - the assessment filled on the appraisal form should be reviewed by the higher supervisors in order to cross check the fairness of the evaluation.

7. **Determine any revisions needed to the employee's key position responsibilities, goals, objectives, competencies, and development plans for the next appraisal period:** - based on the past performance point out the areas which needs revision on the responsibilities, objectives, goals, competencies and development plans. This is highly appreciated when performance gap is identified.

8. **Prepare for the performance review meeting:** - employees and supervisors should have a meeting to talk about the assessment as well as performance review for the next period.

Likewise supervisors' individuals have also the above stated responsibilities in the performance assessment phase of the process.

Rating errors which is encountered during performance evaluation process

Rating errors are faults or factors that influence supervisors to have a wrong judgment in evaluating employees' result and behavior and making a wrong decision on the quality of someone's job performance. According to Armstrong there are different types of errors while rating employee's performance. Among them; attractiveness effect, attribution bias, central tendency, first impression error, halo/horns effect, high potential error, negative and positive skew, past performance error, recency effect, similar-to-me effect and stereotyping.

2.1.3.4. Performance Review

The performance review stage involves the meeting between the employee and the manager to review their assessments. This meeting is usually called the appraisal meeting or discussion. The appraisal meeting is important because it provides a formal setting in which the employee receives feedback on his or her performance. In spite of its importance in performance management, the appraisal meeting is often regarded as the most difficult of the entire process because many managers are uncomfortable providing performance feedback, particularly when performance is deficient. This high level of discomfort, which often translates into anxiety and the avoidance of the appraisal interview, can be mitigated through training those responsible for providing feedback (Smither and London, 2009). Providing feedback in an effective manner is extremely important because it leads not only to performance improvement but also to employee satisfaction with the system. At this point, however, let's emphasize that people are apprehensive about both receiving and giving performance information, and this apprehension reinforces the importance of a formal performance review as part of any performance management system. The performance review meeting is the basis for assessing the three key elements of performance (the three Cs), namely contribution, capability and continuous development. Such meetings are also the means through which the five primary performance management elements measurement, feedback, positive reinforcement, exchange of views, and agreement can be put to good use. A performance review should be rooted in the reality of the employee's performance. The latter is concrete, not abstract, and it allows managers and individuals to take a positive look together at how performance can become even 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 (Armstrong

2000). There should be no surprises in a formal review if performance issues have been dealt with as they should have been, namely as they arise during the year. In one sense the review is a stocktaking exercise, but this is no more than an analysis of where those involved are now, and where they have come from. This static and historical process is not what performance management is about. The true role of performance management is to look forward to what needs to be done by people to achieve the overall purpose of the job, to meet new challenges, to make even better use of their knowledge, skills and abilities, and to help them to develop their capabilities and improve their performance. This process also helps managers to improve their ability to lead, guide and develop both individuals and teams for whom they are responsible (Armstrong 2000).

Objectives of performance review

Among different objective of performance review the followings are some of them which can be mentioned as the most important one (Smither and London 2009).

i. It gives motivation to provide positive feedback, recognition, praise and opportunities for growth; to clarify expectations; to empower people by encouraging them to take control over their own performance and development.
ii. It encourages development by providing a basis for developing and broadening capabilities relevant both to the current role and any future role that the employee may have the potential to carry out. Note that development can be focused on the current role, enabling people to enlarge and enrich the range of their responsibilities and the skills they require, and to be rewarded accordingly. This aspect of role development is even more important in flatter organizations, where career ladders have shortened and where lateral progression is likely to be the best route forward.
iii. It gives a chance for communication to serve as a two-way channel for talking about roles, expectations (objectives and capability requirements), relationships, work, problems and aspirations.

2.1.4 Principles of Performance Management System

Performance management is primarily concerned with performance improvement in order to achieve organizational, team and individual effectiveness. Secondly, performance management is concerned with employee development. Performance improvement is not achievable unless there are effective processes of continuous development. This addresses the core capabilities of the organization and the specific capabilities of individuals and teams. Performance management should really be called performance and development management. Thirdly, performance management is concerned with satisfying the needs and expectations of all of an organization's stakeholder owners, management, employees, customers, suppliers and the general public. In particular, employees are treated as partners in the enterprise whose interests are respected, who have a voice on matters that concern them, and whose opinions are sought and listened to (Armstrong, 2006). Performance management should respect the needs of individuals and teams as well as those of the organization, recognizing that they will not always coincide. Finally, performance management is concerned with communication and involvement. It creates a climate in which a continuing dialogue between managers and the members of their teams takes place in order to define expectations and share information on the organization*'s* mission, values and objectives. This establishes mutual understanding of what *is* to be achieved and a framework for managing and developing people to ensure that it will be achieved. Performance management can contribute to the development of a high-involvement organization by getting teams and individuals to participate in defining their objectives and the means to achieve them. Just like any other profession performance management have principles which governs the entire system. The following are some of them identified by Armstrong, 2000:

1. It translates corporate goals into individual, team, department and divisional goals;
2. It helps to clarify corporate goals;
3. It is a continuous and evolutionary process, in which performance improves over time;
4. It relies on consensus and co-operation rather than control or coercion;
5. It creates a shared understanding of what is required to improve performance and how this will be achieved;
6. It encourages self-management of individual performance;
7. It requires a management style that is open and honest and encourages two-way communication between superiors and subordinates;
8. It requires continuous feedback; Feedback loops enable the experiences and knowledge gained on the job by individuals to modify corporate objectives;
9. It measures and assesses all performance against jointly agreed goals;

10. It should apply to all staff; and it is not primarily concerned with linking performance to financial reward.
11. It is owned and driven by line management and not by the HR department; performance management is not a packaged solution but something that has to be developed specifically and individually for each particular organization;

2.1.5 Purposes of Performance Management System

The whole purpose of performance management is to get better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. According to Smither and London, (2009), Performance management system has many purposes but the major ones are discussed below as follows;

Strategic: It links the organization's goals with individual goals, thereby reinforcing behaviors consistent with the attainment of organizational goals.

Administrative: It is a source of valid and useful information for making decisions about employees, including salary adjustments, promotions, employee retention or termination, recognition of superior performance, identification of poor performers, layoffs, and merit increases.

Communication: It allows employees to be informed about how well they are doing, to receive information on specific areas that may need improvement, and to learn about the organization's and the supervisor's expectations and what aspects of work the supervisor believes are most important.

Developmental: It includes feedback, which allows managers to coach employees and help them improve performance on an ongoing basis.

Organizational maintenance: It yields information about skills, abilities, promotional potential, and assignment histories of current employees to be used in workforce planning as well as assessing future training needs, evaluating performance achievements at the organizational level, and evaluating the effectiveness of human resource interventions (for example, whether employees perform at higher levels after participating in a training program).

Documentation*:* It yields data that can be used to assess the predictive accuracy of newly proposed selection instruments as well as important administrative decisions. This information can be especially useful in the case of litigation. And also for Grote(2002), performance management system has so many purposes like, providing feedback to employees about their performance, determining who gets promoted, facilitating layoff or downsizing decisions, encouraging performance improvement, motivating superior performance, setting and measuring goals, counseling poor performers, determining compensation changes, encouraging coaching and mentoring, supporting manpower planning or succession planning, determining individual training and development needs, determining organizational training and development needs, confirming that good hiring decisions are being made, providing legal defensibility for personnel decisions and improving overall organizational performance.

2.1.6 The importance of performance management system

There are many advantages associated with the implementation of a performance management system in the organizations. According to Aguinis, 2009, a performance management system can make the following important contributions:

1. Motivation to perform is increased: 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.

2. Self-esteem is increased: Receiving feedback about one's performance fulfills a basic need to be appreciated and valued at work. This, in turn, is likely to increase employees' self-esteem.

3. Managers gain insight about subordinates: Direct supervisors and other managers in charge of the appraisal gain new insights into the person being appraised

4. The job definition and criteria are clarified: The job of the person being appraised may be clarified and defined more clearly. In other words, employees gain a better understanding of the behaviors and results required of their specific position. Employees also gain a better understanding of what it takes to be a successful performer (i.e., which criteria define job success).

5. Self-insight and development are enhanced: The participants in the system are likely to develop a better understanding of themselves and of the kind of development activities of value to them as they progress through the organization. Participants in the system also gain a better understanding of their strengths and weaknesses, which can help them better define future career paths.

6. Personnel actions are more fair and appropriate: Performance management systems provide valid information about performance, which can be used for personnel actions such as merit increases, promotions and transfers, as well as terminations. In general, a performance management system helps ensure that rewards are distributed on a fair and credible basis. In turn, such decisions based on a sound performance management system lead to improved interpersonal relationships and enhanced supervisor–subordinate trust.

7. Organizational goals are made clear: The goals of the unit and the organization are made clear, and the employee understands the link between what he or she does and organizational success. This is a contribution to the communication of what the unit and the organization are all about and how organizational goals cascade down to the unit and the individual employee. Performance management systems can help improve employee acceptance of these wider goals (i.e., organizational and unit level).

8. Employees become more competent: An obvious contribution is that the performance of employees is improved. In addition, there is a solid foundation for developing and improving employees by establishing developmental plans.

9. There is better protection from lawsuits: Data collected through performance management systems can help document compliance with regulations. When performance management systems are not in place, arbitrary performance evaluations are more likely, resulting in an increased exposure to litigation.

10. There is better and timelier differentiation between good and poor performers: Performance management systems allow for a quicker identification of good and poor performers. Also, they force supervisors to face up to and address performance problems on a timely basis (i.e., before the problem is too costly and cannot be remedied).

11. Supervisors' views of performance are communicated more clearly: Performance management systems allow managers to communicate to their subordinates their judgments regarding performance. Thus there is greater accountability in how managers discuss performance expectations and provide feedback.

12. Organizational change is facilitated: Performance management systems can be a useful tool to drive organizational change. Employees are provided with training in the necessary skills, and are also rewarded for improved performance so that they have both the knowledge and the motivation to improve product quality and customer service.

2.1.7 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. In many cases remuneration schemes are driving the performance system, which creates a number on long term consequences in organizational behavior and culture.

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/ underperformance

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. (Adapted from a PhD dissertation 'Integrated Performance Management Systems' by Dr Marko Saravanja*)*

2.2 Empirical Literature Review

In this section empirical evidence supporting the performance management system has been presented. However, only few studies are undertaken, of which most of them are not on the banking industry.

According to Munzhedzi (2011), performance management system in the organization has a valuable impact if the system is well established and common understanding is created between employees and managers and if objective of the organization cascaded accordingly. He has tried to find out that, performance management has a great role on organizational productivity even if it was on government offices other than banks. According to Matlala (2011) is that employees at the organization have a negative perception of the fairness of their organization's performance management system. How ever since this study has made on in South Africa the context might differ and the researcher has to be investigate the study. According to Boipono, Tsomele & Mogadime (2014) a study made on implementation of performance management system (PMS) in Schools states that, though PMS is faced with implementation challenges, participants interviewed appreciated the need for a system like PMS that could be used to measure their performance. However, the feeling is that the system should be redesigned to suit the context of environment and not the current one size fit all approach. Effective communication and timely feedback are also important success factors for a performance management system like PMS as they are formative and help employees to continuously improve their processes towards achieved their set objectives. According to Mughal and Akram (2014), their study has explored the issues (weaknesses) related with performance management in banking sector. This research shows that the performance management of Alfalah bank lacks motivation and proper reward system.

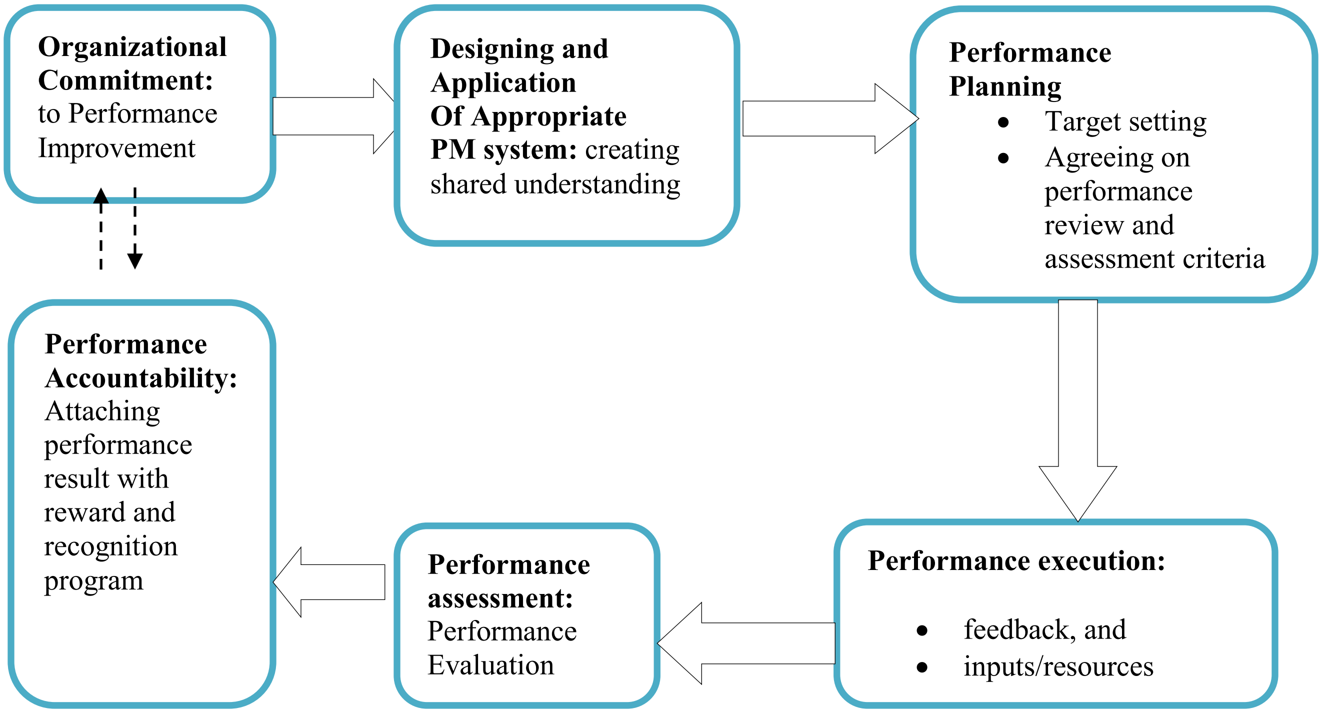
Performance management system is properly implemented in Alfalah but employees should be involved in setting standards of performance management to evaluate the performance of each employee.

Based on the literature reviewed above in this chapter the researcher has got a clear insight about the concept and overview of employee performance management system. The researcher has reviewed a number of performance management literature and almost all the literatures agree that performance management is concerned with identification of organizational visions, missions and objectives, bringing managers and employees on the same direction towards the achievement of organizational strategic objectives/alignment, creating shared understanding, provision of coaching and periodic performance review, final performance evaluation, attaching results with reward system depending on the nature of result and creating a felt fair atmosphere in the mind of all employees.

Therefore the researcher is interested to see the main challenges and prospects of employee performance management system in commercial bank of Ethiopia.

2.3 Conceptual Framework

Figure 2.1 Conceptual framework



Source: Adopted from MA dissertation Dereje Kebede, (2015) with a modification to fit with the title

From the conceptual frame work we can understand that, the first thing that we have for implementing EPMS in the organization is organizational commitment to improve performance. Then after, the appropriate PMS application will developed. And, then performance planning will take place to reach an agreement regarding review and assessment criteria. Provision of continuous support through couching, mentoring and providing resources to execute their jobs will follow. Then periodic performance review and performance evaluation will be executed. Finally, performance accountability where best performers will be rewarded and underperformers will receive actions will be done. Efficiently doing all these processes has its own contribution for performance improvement.

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

This Chapter of the study deals with the research design and methodology has employed for data gathering as well as the relevant statistical analysis tools that have been employed for analyzing the survey results that has been gathered during the study.

3.1 Research Design and Approach

This study has used a descriptive type of research through surveys to assess the prospects and challenges of employee performance management system in Commercial Bank of Ethiopia. This type of research helps to portray accurately the characteristics of a particular individual, Situation or a group. The descriptive survey research design is appropriate choice, because the study is aimed at assessing the implementation of the employee performance management system of the bank (Creswell, 2003).

This study has applied both qualitative and quantitative approach (mixed method approach).The core argument for a mixed methods approach is that the combination of both forms of data provides a better understanding of a research problem than either quantitative or qualitative data by itself. Mixed methods designs are procedures for collecting, analyzing, and mixing both quantitative and qualitative data in a single study or in a multiphase series of studies (Creswell, 2012). Hence, by applying the mixed method the researcher has tried to ensure the strength of the findings towards being more objective and generalizable to the entire population.

3.2 Types of Data Collection

According to Adams, Raeside and White (2007), there are two types of data, primary and secondary. The primary data are those which are gathered for the first time and afresh and thus collected for the case at hand. Secondary data is a data collected by someone else and there is a great deal available to researchers from books, libraries and on the web. For the purpose of this study in order to obtain relevant information both primary and secondary data were used.

Primary data has collected using questionnaires and interviews from the employees of the Commercial Bank of Ethiopia. The questionnaire was based on the mentioned research questions. This is because questionnaires are advantageous in collecting large number of data from large number of respondents and help respondents to fill the questionnaires at their convenient time without the interviewer bias. And the study also has used interview because interview have a higher response rate and it clarify the questions well if the questions are not clear, since questionnaire doesn't.

The secondary data sources were collected from different published and unpublished materials such as reference books, journals and the internet. In addition company reports, annual reports, and HR manuals of the bank has also used as a secondary data sources.

3.3 Method of Data Collection

The study has used questionnaires compiled from: book (Armstrong, 2009), and from MA and PhD dissertations (Dereje Kebede, 2015; Marie B Walsh, 2003) by making a modification to fit for this study. The questionnaire has included closed-ended questions that has been measured by a five-point Likert scale (from strongly Agree to strongly disagree) and some open ended questions to elicit the respondents feeling.

First the reliability and validity of research instrument has checked, then after questionnaires have distributed to the participants of the study. After the questionnaires are carefully filled, the researcher personally has collected and arranges the completed questionnaires and compiled for data discussion and analysis. Finally, the collected data have inserted into data set and make ready for data analysis and discussion by using statistical package for social sciences (SPSS).

Semi structured interview has also scheduled to gather information on the subject from the district human resource and business managers and the human resource development officer/expert of the bank. As a final point the result has summarized, tabulated and interpreted appropriately and lastly conclusions and recommendations has also forwarded.

3.4 Reliability and validity of the instrument

3.4.1 Validity

It is the strength of our conclusions, inferences or propositions. It involves the degree to which you are measuring what you are supposed to, more simply, the accuracy of your measurement Adams et al, (2007). To raise the validity of the research, questionnaires have distributed and collected by the researcher himself in order to maintain its validity.

3.4.2 Reliability

It estimates the consistency of the measurement or more simply, the degree to which an instrument measures the same way each time it is used under the same conditions with the same subjects. Reliability is essentially about consistency Adams et al, (2007). To make sure that the data collection methods were error free and to minimize the instruments' biases the researcher undertook the following:

1. The researcher has made a pilot test on 15 employees and got a result of Cronbach's Alpha .84 before questionnaire has been distributed to all sample size.
2. Some important questions have re-asked in different place in a different order.
3. The researcher, when collecting the questionnaires, has tried to make sure that it is the respondents who have complete the questionnaire through making the distribution and collection time gap short an as much as possible.

3.5 Sampling Design and Sampling Techniques

3.5.1 Target population

As discussed above, this research is aimed at assessing the prospects and challenges of employee performance management system practiced in the commercial bank of Ethiopia. So the total population of the study was employees of the bank found in Addis Ababa city which is 8905. Though, incorporating all employees' idea on the analysis would have been better for conclusion and generalization, economically and operationally it would be very difficult to contact all employees in the research. Therefore, taking a respective sample of the population of the employees' has found to be feasible.

3.5.2 Sampling Method

Because of that the target population of the study was employees of commercial bank of Ethiopia found in Addis Ababa city, the researcher used stratified random sampling method to select samples from the target population. As it is mentioned in (Kothari, 2004) stratified sampling result in more reliable and detailed information and enable to get more representative samples. The head office and four districts were the five strata that have been used to collect data. Simple random sampling technique has employed once the five different strata's are identified by registering all members for each stratum using excel. This is because all the 5 divisions in a given stratum are homogenous (have same level of educational background and level of job categories) and all employees who are within the same divisions have an equal access and information about employee performance management implementation of the organization. A purposive sampling technique has also used to select interviewees (four district HR and business managers and Human Resource Development officer in the organization. This is because of that, these five participants are the main actors of the system and their role and closeness to the subject they believed to be having a better knowledge on the subject.

3.5.3 Sample Size

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

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

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= 8905;

$$n=\frac{8905}{1+8905(0.05)^2}= 382.81$$

Therefore the total sample for this study is 383 employees.

Table 3.1 sample size distribution

Divisions	Sampling Frame	Sample size
Head office	2385	103
North A.A district	1474	63
South A.A district	1810	78
West A.A district	1733	74
East A.A district	1503	65
Total	8905	383

Source: CBE HR report

3.6 Methods of Data Analysis

Once the required data are collected from the primary and secondary sources, it was analyzed through quantitative and qualitative data analysis methods. And, descriptive statistic helps to describe the general level of agreement of respondents. It reveals the conformity of respondents' response about employee performance management system in CBE. In addition, frequency and percentage was used to present the data. And table and charts have also used to ensure easily understanding of the analysis. Finally, the result of statistics analysis have be summarized, tabulated and interpreted appropriately.

Responses found from the interview have reported in line with the questions forward to the interviewees. And then these findings have combined and summarized together with the quantitative data findings to triangulate the results accordingly.

3.7 Ethical Consideration

The researcher has obtained the consent of the organization for the study. Employees who have completed the questionnaire were informed about the purpose of data collection, analysis and the covenant to maintain privacy of their responses. Participants have informed about the purpose of the study and their privacy and dignity also maintained. Confidential information of the bank has not disclosed and the collected data have used for the purposes of the study only. Regarding published and unpublished materials used in the literature review and throughout all part of the study, all citations from copy right holder has made properly.

CHAPTER FOUR

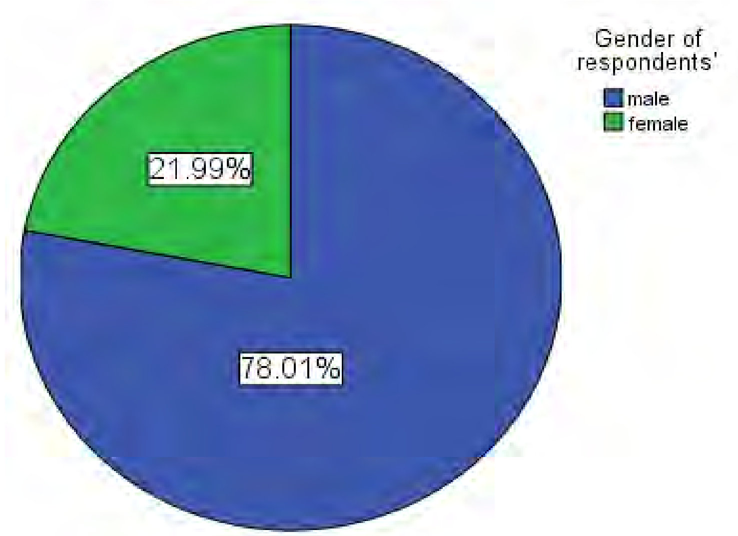
4. DATA ANALYSIS AND PRESENTATION

This chapter presents the data collected from both primary and secondary sources. Secondary sources are HR manuals and reports issued by the bank and other related literature. Primary sources are data that have been collected by undertaking survey from employees of the bank. Moreover; an interview is made with the human resource development officer of the bank and human resource and business manager of four districts. The questionnaire is distributed to 383 employees and out of these employees only 341 (i.e. 89%) employees are returned the questionnaire. Therefore the analysis is made based on the 341 respondents' data only. The data collected through questionnaire, interview and secondary data sources is analyzed using descriptive analysis method. The output of the data is presented using tables and graphs in order to make the topic more understandable.

4.1Respondents' Background Information

As indicated in fig 4.1 below, 21.99% of the total respondents are females working in the bank. The percentage of male respondents constitutes the largest part (78.01%) of the total sample. Indeed, the number of female respondents' participated in the study is almost proportional, given the total number of female employees in commercial bank of Ethiopia.

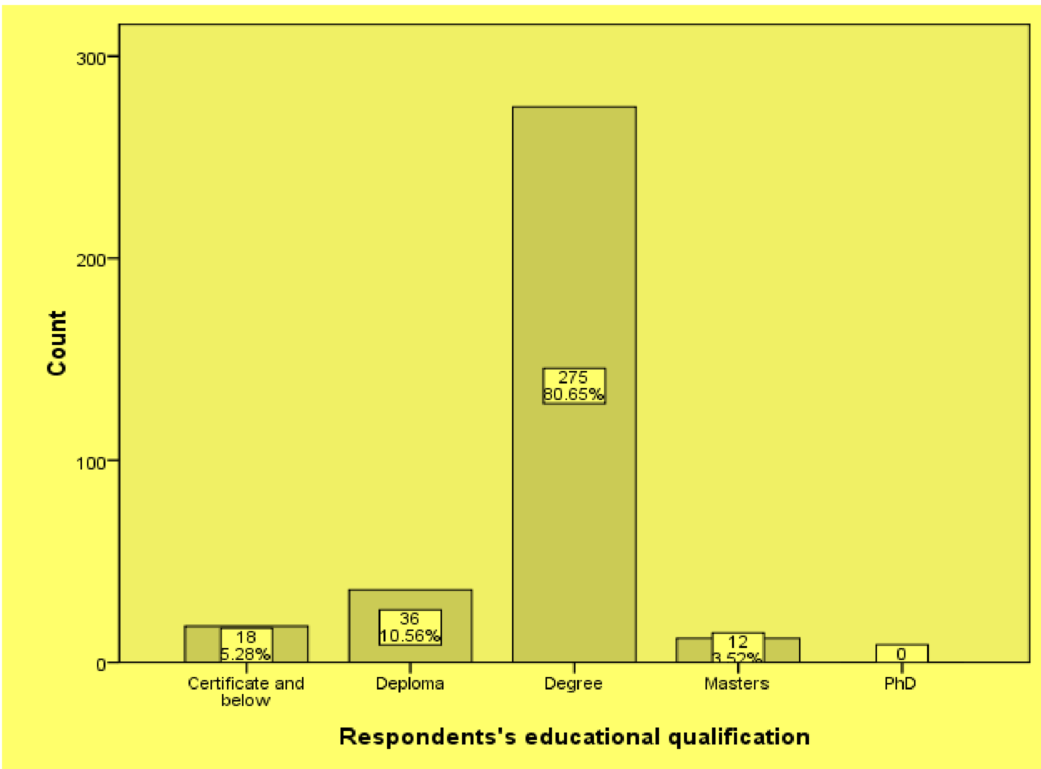
Figure 4.1 Gender compositions of respondents'



Source: Questionnaire data (question no. 1)

As indicated in figure 4.2, 80.65% are first degree holders followed by Diploma holders (10.56%), certificate and below (5.28%) and Masters Degree holders (3.52%). This is because of that, in recent years the bank is hiring fresh degree graduates directly from universities and colleges.

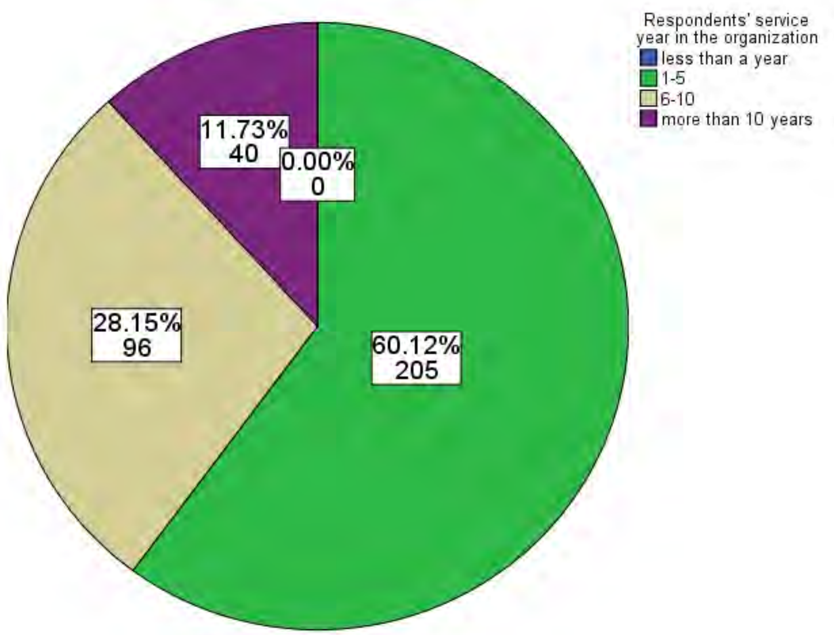
Figure 4.2 Respondents' educational qualification



Source: Questionnaire data (question no. 2)

Regarding their service year in the organization, as indicated in the fig/chart below 60.1% of the total respondents have served the bank between one and five years, 28.2% of them were between 6 and 10 years and the rest 11.7% were served the bank for more than ten years in the organization. This is because of that, the emerging branch expansion of the bank leads to high level of man power demand and consequently the bank is hiring employees aggressively for the last five years. Fortunately, there is no employees participated in the study who is below one service year. Therefore all participants will have a better understanding regarding employees' performance management system in the bank.

Figure 4.3 Respondents' years of experience



Source: Questionnaire data (question no. 3)

As shown in the table 4.1below, respondents were participated in the study based on the population size for their respective divisions' or strata. That is 18.2%, 18.5%, 20.2%, 16.1% and 27% from east Addis Ababa district, west Addis Ababa district, south Addis Ababa, north Addis Ababa district and head office respectively. All respondents participated were almost based on the proportion of their sample frame.

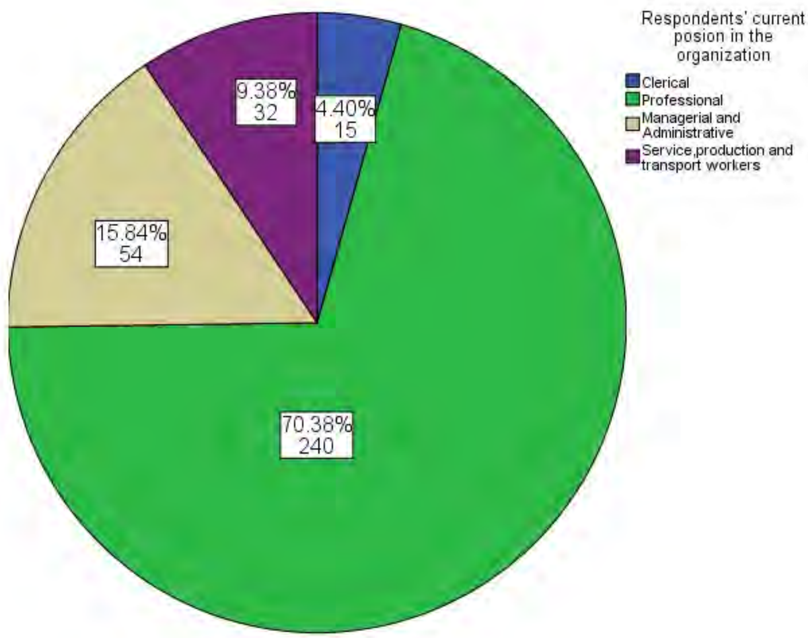
Table 4.1 Respondents' district/ division office

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	East Addis Ababa District	62	18.2	18.2	18.2
	West Addis Ababa District	63	18.5	18.5	36.7
	South Addis Ababa District	69	20.2	20.2	56.9
	North Addis Ababa District	55	16.1	16.1	73.0
	Head office	92	27.0	27.0	100.0
	Total	341	100.0	100.0	

Source: Questionnaire data (question no. 4)

As indicated in figure 4.4; 70% of the total respondents were under professional category followed by 15.8% administrative and managerial, 9.4% service, production and transportation workers and, the rest 4.4% were found under clerical job category of the bank. Therefore, the many of the total employees are professionals.

Figure 4.4 Respondents current position in the bank



Source: Questionnaire data (question no. 5)

4.2 Benefits of employee performance management system in the bank

From the total respondents 74.3% agreed or strongly agreed that employee performance management system has created role clarity among the employees in the bank. However, 13.8% of the respondents disagreed or strongly disagreed with the statement that employee performance management has created role clarity among employees in the bank. Therefore, the point we can infer from table 4.2 is that it has created clear mechanism to inform employees what is expected of them for each employees. Again in the table below (table 4.2), from the respondents, 67.1% agreed or strongly agreed on employee performance management system has made a better differentiation between good and poor performers. However, 13.7% of the respondents strongly disagreed or disagreed on the importance of performance management system to differentiate good and poor performers. Here we can infer from this result that, the employee performance managements system implemented in Commercial Bank of Ethiopia enable to differentiate those best performers and poor performers so that personnel actions can be made. As shown in table 4.2 below, 62.4% of the respondents agreed or strongly agreed that, as a result of employee performance management system of the bank personnel actions become fair and appropriate. However 27.8% of the total respondents disagreed or strongly disagreed that personnel actions are not became fair and appropriate as a result of employee performance management system. From this we can say that, Performance management systems provide valid information about performance, which can be used for personnel actions such as merit increases, promotions and transfers, as well as terminations.

From table 4.2 we can see that, 80.1% of the total respondents agreed or strongly agreed that after employee performance managements system has implemented in the bank employees became competent. This shows that, employee performance management system enable employees to improve their performance. Due to the plan given for them and to become front runners competition among employees will enhanced and obviously performance can be improved and employees become more competent.

As indicated in table 4.2 below, from the total respondents (95.5%) agreed that employee performance management system contributed to improve individual and the bank's performance at large. Here, we can infer that when performance management system gets implemented in the organization employees become more competent and their performance gets improved so that organizational performance also improved. As indicated in table 4.2, from the total respondents, 90.6% agreed that employee performance management system serves as a two way communications about roles and expectations. This shows that performance management system has created two way communications between employees and the management. 75.2% of the respondents agreed or strongly agreed that, employee performance management system have helps to motivate employees and encourage development. However, 21.8% of the respondents agreed or disagreed with the statement says, employee performance management system helps to motivate employees and encourage development. From this we can infer that employee performance management system can make employees target oriented and motivated to achieve their performance at a favorable level and hence encourage development. As indicated in the table below (table 4.2), from the total respondents 63.9% have agreed or strongly agreed that employee performance management system is important for employees success and the bank, thus it is good to have. However 15.8% of the respondents have disagreed or strongly disagreed with the statement. Therefore, we can say that EMPS is important for employees' success; since it can create role clarity, makes them goal oriented and encourage development and for the bank too; by improving each individual performance so that the bank's success will enhanced.

Response found from the interviewees confirmed that, since the system requires that each and every employee knows what expected of him or her. And, improvement has been noticed in the quality of service in customer service and volume of transaction. Also managers have found a good way to track the performance of the employees under their domain.

Therefore based on the result found we can say that, the employee performance management system has different benefits in the bank. The system has created role clarity among employees, helps to differentiate performance level of employees so that to take personnel actions, to make employees competent, to foster two way communication between employees and their supervisors, to motivate employees and finally to enhance employees performance so that the bank will achieve its objective.

Table 4.2: Summary of Responses related to Benefits of employee Performance management system in CBE

Questions	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
It has created role clarity among the employees in our branch/office.	16	4.7	31	9.1	40	11.8	179	52.8	73	21.5	339	100
There is better differentiation between good and poor performers	10	2.9	40	11.8	62	18.2	140	41.2	88	25.9	340	100
Personnel actions are more fair and appropriate.	17	5	77	22.8	33	9.8	148	43.8	63	18.6	338	100
Employees become more competent.	13	3.9	40	12	13	3.9	205	61.7	61	18.4	332	100
It contributed to improve individual and the bank's performance at large.	5	1.5	-	-	10	3	223	67.2	94	28.3	332	100
It serves as a two way communication about the roles and expectations.	-	-	20	5.9	12	3.5	223	68.5	75	22.1	340	100
It helps to motivate employees and encourage development	44	13	30	8.8	10	2.9	155	45.57	100	29.5	339	100
It is important for employee success and the bank, thus it is good to have.	-	-	54	15.8	69	20.2	193	56.6	25	7.3	341	100

Source: Questionnaire data (question no. 6-13)

4.3 Challenges that hinder employee performance management system implementation in CBE

As indicated in table 4.3 below, from the total respondents 50.1% disagreed with the statement says there is lack of alignment between organizational and individual goals. However, 43.4 % of them have agreed that there is lack of alignment. Here we can say that there is alignment between organizational and individual goals. From the same table, 71% of the total sample respondents agreed that there is a tendency of giving unbalanced targets for similar positions. Many respondents also explained in the open ended question part of the questionnaire that, even for equal job grades there is a tendency of giving different goals in terms of difficulty. The 90.9% of respondents have agreed that there is no fair job rotation in the bank. From the same table, from the total respondents 57.2% have agreed that the bank doesn't provide employees sufficient resources to execute the job. Again 52.2% of respondents agreed that Performance assessment is not based on written evidences. And, among the total respondents, 83.7% agreed that there is no clear mechanism to address underperformance. Based on the responses given by sampled employees, there are different types of challenges encountered during employee performance management system implementation. For instance, there is a tendency giving unbalanced goals for similar positions. This is usually happened due to when giving different goals and targets for employees who are at the same job grades but assigned at different places. As participants responded, there is no fair job rotation in the bank. When there is fair job rotation, it is possible to reduce challenges of giving unbalanced goals for employees under the same job grade levels since all the performers are circulating at all assignments for a given job grade position. The employees are also challenged by no sufficient resource allocation to execute their job properly. Without sufficient resource it is difficult for employees to achieve the planned objective. Thus supervisors have a responsibility of ensuring the availability of the necessary supplies and funding to perform the job properly. This will affect their level of performance. And, there is no clear mechanism in the bank to address the issue of underperformance and no action has been taken for both poor as well as good performers. The interviewees have also added that, resistance to change was the main problem. According to data collected from secondary sources (agreement and appraisal formats), there is a tendency of giving 1 and 4 (i.e. exceptional and below expectation marks) only for non financial targets.

This is because of that the system has developed to accept only 1 or 4 grades as an input. Though, the bank is using four rating scale (4=exceptional, 3=above expectation, 2=meets expectation and 1=below expectation), it is not functional for non financial targets.

Table 4.3: Summary of Responses related to Challenges of EPMS in the bank

Questions	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
There is lack of alignment between organizational and individual goals.	16	4.7	153	45.4	22	6.5	131	38.9	15	4.5	337	100
There is a tendency of giving unbalanced targets for similar positions.	10	3	30	8.9	58	17.2	188	55.6	52	15.4	338	100
There is no fair job rotation among employees in our branch/office.	-	-	12	3.5	19	5.6	256	75.3	53	15.6	340	100
The bank doesn't provide employees sufficient resources to execute the job.	8	2.3	121	35.5	17	5.0	136	39.9	59	17.3	341	100
Performance assessment is not based on written evidences.	4	1.2	151	44.3	8	2.3	117	34.3	61	17.9	332	100
There is no clear mechanism to address underperformance.	-	-	54	16.3	1	.3	197	59.3	80	24.4	341	100

Source: Questionnaire data (question no.14-19)

4.4Perception of employees towards PMS of the bank

Table 4.4 Response to: I am clear with my roles and responsibilities.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	10	2.9	2.9	2.9
	Neutral	44	12.9	12.9	15.8
	Agree	194	56.9	56.9	72.7
	strongly agree	93	27.3	27.3	100.0
	Total	341	100.0	100.0	

Source: Questionnaire data (question no.20)

As depicted from the above table (table 4.4), 84.2% of the total respondents agreed that, they believe they are clear with their roles and responsibilities. This shows that employees of the bank know what expected from them and what intends to do.

Table 4.5 Response to: There is similar rating mechanism among branches and employees.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	25	7.3	7.4	7.4
	Disagree	182	53.4	53.5	60.9
	Neutral	22	6.5	6.5	67.4
	Agree	105	30.8	30.9	98.2
	strongly agree	6	1.8	1.8	100.0
	Total	340	99.7	100.0	
Missing	999	1	.3		
Total		341	100.0		

Source: Questionnaire data (question no.21)

As indicated in table 4.5, (60.9%) of the total respondents disagreed or strongly disagreed with the statement says there is similar rating mechanism among branches and employees followed by 32.7% agreed or strongly agreed with similar rating has implemented across employees and different branches. Therefore, we can say that employees are feeling being not treated fairly and in a similar manner or uniformly across individuals and units.

Table 4.6 Response to: The feedbacks are properly communicated to our office and for each individual.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	20	5.9	5.9	5.9
	Disagree	30	8.8	8.8	14.7
	Neutral	82	24.0	24.0	38.7
	Agree	173	50.7	50.7	89.4
	strongly agree	36	10.6	10.6	100.0
	Total	341	100.0	100.0	

Source: Questionnaire data (question no.22)

61.3% of the total respondents have said feedbacks are properly communicated to our office and me. From this we can infer that, feedbacks from their supervisor and upper level units are properly communicated to the respective individuals and branches.

Table 4.7 Response to: Performance management processes are done free of bias & objectively

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	60	17.6	17.7	17.7
	Disagree	116	34.0	34.2	51.9
	Neutral	1	.3	.3	52.2
	Agree	154	45.2	45.4	97.6
	strongly agree	8	2.3	2.4	100.0
	Total	339	99.4	100.0	
Missing	999	2	.6		
Total		341	100.0		

Source: Questionnaire data (question no.23)

Among the total respondents 51.9% have disagreed with the statement saying performance management processes are done free of biases and objectively. However, 47.8% of the total respondents agreed with the statement saying processes are done free of bias and objectively. From this we can understand that, employee performance management processes are not implemented without biases and objectively in the organization.

As indicated in the table below, among the participants 56.1% 0f the total respondents have agreed or strongly agreed that Performance raters are competent enough to undertake their assignment. However, 42.4% 0f the respondents have disagreed and strongly disagreed with the statements saying Performance raters are competent enough to undertake their assignment. From this we can infer that Even though, the major respondents have agreed with the statement the 42.4% of the respondents vote should be taken in to account. This is because of that the employees' value for their rater plays a major role to come up with better results and employees should have to rely on their raters' competency. Otherwise, it is difficult to get favorable advantage from employee performance management system.

Table 4.8 Response to: Performance raters are competent enough to undertake their assignment.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	13	3.8	3.8	3.8
	Disagree	131	38.4	38.5	42.4
	Neutral	5	1.5	1.5	43.8
	Agree	128	37.5	37.6	81.5
	strongly agree	63	18.5	18.5	100.0
	Total	340	99.7	100.0	
Missing	999	1	.3		
Total		341	100.0		

Source: Questionnaire data (question no.24)

Table 4. 9 Response to: I feel fairly treated in every process of performance management system.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	16	4.7	4.7	4.7
	Disagree	156	45.7	45.9	50.6
	Neutral	6	1.8	1.8	52.4
	Agree	154	45.2	45.3	97.6
	strongly agree	8	2.3	2.4	100.0
	Total	340	99.7	100.0	
Missing	999	1	.3		
Total		341	100.0		

Source: Questionnaire data (question no.25)

As shown the above table (table 4.9) among the total respondents 50.6% were disagreed or strongly disagreed that they are not feel fairly treated in every process of performance management system. However, 47.7 % of the respondents have felt fairly treated. This shows that employees in commercial bank of Ethiopia does not feel felt fair in employee performance management processes.

Table 4.10 Response to: In my opinion, Employee Performance Management System is clearly defined in the organization.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	11	3.2	3.2	3.2
	Disagree	129	37.8	37.9	41.2
	Neutral	16	4.7	4.7	45.9
	Agree	163	47.8	47.9	93.8
	strongly agree	21	6.2	6.2	100.0
	Total	340	99.7	100.0	
Missing	999	1	.3		
Total		341	100.0		

Source: Questionnaire data (question no.26)

From the above table 54% of the total respondents agreed or strongly agreed that, Employee Performance Management System is clearly defined in the organization. However, 41.2 % of the total respondents disagreed or strongly disagreed with the statement. This shows that, in the employees view even if the 54% have agreed on that there are employees who did not believe that employee performance management is clearly defined in the organization.

4.5 Processes of employee performance management system at CBE

4.5.1 Performance Planning

The performance planning cycle of performance management system is the first stages where employees will be enable to have a clear knowledge about the system. It is the first cycle where supervisor and employee meet to discuss and agree on what is to be done and how it is to be done by combining the result, behavior and development plan.

As summarized in the table 4.11 below among the total respondents 94.4% agreed that they know the strategic objective of the bank very well. From this we can infer that, employees of the bank are aware of the strategic objective of the bank. Regarding the cascading of the corporate plan, from the total respondents 64.4% have agreed that the overall corporate plan is properly cascaded to units and individuals. However 35% of the total respondents disagreed that the overall corporate plan is properly cascaded to units and individuals. Among the respondents 73.9% have agreed that they are clear about what is expected from them and their job responsibilities. Therefore based on their response, the many of respondents in the bank are clear with what should they do and their responsibilities. Regarding the performance standards of the bank, 59.7% of them have agreed that they know the standards that used to evaluate their work.

Based on the sample participants' response, employees of commercial bank of Ethiopia know the strategic objective of the bank very well and they believe that the overall corporate plan is properly cascaded to units and individuals. Employees are also clear with what should they do and their responsibilities and they know also the standards that used to evaluate their work.

Table 4.11 Summary of Responses related with Performance Planning

Questions	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
I know the strategic objective of the bank very well.	-	-	15	4.4	4	1.2	260	76.2	62	18.2	341	100
The overall corporate plan is properly cascaded to units and individuals.	36	10.6	83	24.4	3	.9	203	59.7	15	4.4	340	100
I am clear about what is expected from me and my job responsibilities.	-	-	76	22.6	12	3.6	188	55.8	61	18.1	337	100
I know the standards that used to evaluate my work.	10	2.9	117	34.4	10	2.9	166	48.8	37	10.9	340	100

Source: Questionnaire data (question no.27-30

4.5.2 Performance Execution

It is the second phase of performance management system which allow to observing, providing continuous assessment, follow-ups and feedbacks to performers by supervisors/managers.

4.12 Response to: My performance is regularly assessed based on the plan cascaded to me

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	20	5.9	5.9	5.9
	Disagree	60	17.6	17.8	23.7
	Neutral	55	16.1	16.3	40.1
	Agree	157	46.0	46.6	86.6
	strongly agree	45	13.2	13.4	100.0
	Total	337	98.8	100.0	
Missing	999	4	1.2		
Total		341	100.0		

Source: Questionnaire data (question no.31)

As indicated from the above table, 60% of the respondents have agreed or strongly agreed that their performance is regularly assessed based on the plan/target cascaded for them. However, 23.7% of the total respondents have disagreed or strongly disagreed that their performances have been assessed regularly based on their given plan. From this we can say that their supervisors are continuously assessing their performance even if some respondents don’t feel so.

Table4.13 response to: I have received feedback regularly for my performance from my manager.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	21	6.2	6.2	6.2
	Disagree	66	19.4	19.4	25.5
	Neutral	63	18.5	18.5	44.0
	Agree	56	16.4	16.4	60.4
	strongly agree	135	39.6	39.6	100.0
	Total	341	100.0	100.0	

Source: Questionnaire data (question no.32)

From the above table we can see that, 56% of the total respondents agreed or strongly agreed that they received regular feedback for their performance from their supervisor or manager. However, 25.5% of the respondents disagreed that they have received regular feedback from their supervisor or manager for their performance.

4.5.3 Performance Assessment

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.

Table 4.14 Response to: The result of the evaluation matches with my actual performance.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	36	10.6	10.6	10.6
	Disagree	196	57.5	57.5	68.0
	Neutral	28	8.2	8.2	76.2
	Agree	66	19.4	19.4	95.6
	strongly agree	15	4.4	4.4	100.0
	Total	341	100.0	100.0	

Source: Questionnaire data (question no.33)

As indicated in table 4.14 above; 68% of respondents have disagreed or strongly disagreed that the result of their performance evaluation does not matches with their actual performance. This shows that employees in the bank believe that they are not appraised based on their actual effort.

Table 4.15 Response to: My supervisor evaluates my work based on recorded evidence only.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	32	9.4	9.5	9.5
	Disagree	147	43.1	43.6	53.1
	Neutral	22	6.5	6.5	59.6
	Agree	133	39.0	39.5	99.1
	strongly agree	3	.9	.9	100.0
	Total	337	98.8	100.0	
Missing	999	4	1.2		
Total		341	100.0		

Source: Questionnaire data (question no.35)

According to table 4.15, among the total respondents 53.1% have disagreed that their supervisor does not evaluates their work based on recorded evidence only. However, 40.4 % of the total respondents agreed that their supervisor evaluates their work based on recorded evidence only. From this we can infer that, employees are not evaluated their work based on recorded evidence only in the bank.

4.5.4 Performance Review

It is a process where enables to give motivation to provide positive feedback, recognition, praise and Opportunities for growth. Furthermore, it involves the meeting between the employee and the manager to review their assessments.

Table 4.16 Response to: There is a meeting with my supervisor after evaluation is made to review results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	7	2.1	2.1	2.1
	Disagree	79	23.2	23.5	25.6
	Neutral	27	7.9	8.0	33.6
	Agree	115	33.7	34.2	67.9
	strongly agree	108	31.7	32.1	100.0
	Total	336	98.5	100.0	
Missing	999	5	1.5		
Total		341	100.0		

Source: Questionnaire data (question no.34)

As indicated in table 4.16 above among the total respondents 66.3% agreed that there is a meeting with their supervisor after evaluation made to review results. Of the respondents 25.6 % have responded that there is no a meeting with their supervisor after evaluation is made. From this we can infer that there is a meeting between managers and employees to review their results after they made performance evaluation.

According to table 4.17 below, among the total respondents 81% have disagreed with statement; performance evaluation is attached with reward and recognition schemes. From these we can say that even if employee performance management system has been implemented in the organization still not attached with the employees' reward and recognition programs. Data collected from interviewees have also confirmed that the employee performance management system has not still attached with reward and recognition program in the bank.

Table 4.17 Response to: Performance evaluation is attached with reward and recognition schemes.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	48	14.1	14.5	14.5
	Disagree	220	64.5	66.5	81.0
	Neutral	4	1.2	1.2	82.2
	Agree	39	11.4	11.8	94.0
	strongly agree	20	5.9	6.0	100.0
	Total	331	97.1	100.0	
Missing	999	10	2.9		
Total		341	100.0		

Source: Questionnaire data (question no.36)

Table 4.18 response to: All performance management processes in CBE is trustworthy and right.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	6	1.8	1.8	1.8
	Disagree	171	50.1	52.3	54.1
	Neutral	19	5.6	5.8	59.9
	Agree	117	34.3	35.8	95.7
	strongly agree	14	4.1	4.3	100.0
	Total	327	95.9	100.0	
Missing	999	14	4.1		
Total		341	100.0		

Source: Questionnaire data (question no.37)

As indicated in the table above from the total respondents 54.1% have disagreed with the statement says all performance management processes in CBE is trustworthy and right and 40.1% of the total respondents have agreed with this statement. This shows employees in the bank believe that it is impossible to say that all performance management system processes are trustworthy and right in the bank.

Based on the data collected from interview, the awareness creation sessions conducted at the start of the system along with the practices of the performance management system employees have a good idea of what it is and its purpose. Regarding the manual or rule being used to standardize the EPMS in the bank, they have a guideline to support the cascading of goals and targets that was disseminated to line managers and also they have a monitoring and evaluation checklist to see if all branches and processes are acting by complying with this guideline. There is EPM team which goes through each and every contract and appraisal document in order to see the extent of performance of each and every branch.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

In the previous chapter the researcher has attempted to present findings of the survey data collected through questionnaire completed by randomly selected respondents with complementation of data gathered through interview and document reviews. The questionnaire and the interview were designed in line with the research questions and performance management system frameworks.

This section deals with the summary of the findings, conclusion and recommendations by putting the research topic and research questions into the account.

5.1 Summary of Findings

Benefits of employee performance management system in the Bank

This study has found out the major benefits of employee performance management system implemented in commercial bank of Ethiopia. The respondents agreed that the employee performance management system implemented in the bank has created role clarity among employees in the bank. It also enables to differentiate good and poor performers so that personnel actions are became more fair and appropriate. Furthermore, it has created a constructive competition among staffs to achieve their targets better than their colleagues. The system has also helps to motivate employees and encourage development through creating communications between the employees and their supervisor or managers. After its implementation, it has contributed to improve both individual and the bank's overall performance at large hence it is good to have. Based on the data collected from interviewees, the employee performance management system makes employees goal oriented. It has also helps to link employees' performance with organizational objectives and goals. And, this in effect has brought for the creation of a mechanism to see explicitly their contribution at corporate level as well. This finding is consistent with Munzhedzi (2011) that, performance management system in the organization has a valuable impact if the system is well established and common understanding is created between employees and managers and performance management has a great role on organizational productivity.

Challenges that hinder employee performance management system implementation in CBE

Keeping the aforementioned benefits of employee performance management system in mind, the system has encountered some challenges. Based on the responses given by sampled employees, there are different types of challenges encountered during employee performance management system implementation. For instance, there is a tendency giving unbalanced goals for similar positions. This is usually happened due to when giving different goals and targets for employees who are at the same job grades but assigned at different places. As participants responded, there is no fair job rotation in the bank. When there is fair job rotation, it is possible to reduce challenges of giving unbalanced goals for employees under the same job grade levels since all the performers are circulating at all assignments for a given job grade position. The employees are also challenged by sufficient resource allocation to execute their job properly. Without sufficient resource it is difficult for employees to achieve the planned objective. Thus supervisors have a responsibility of ensuring the availability of the necessary supplies and funding to perform the job properly. This will affect their level of performance. And, there is no clear mechanism in the bank to address the issue of underperformance and no action has been taken for both poor as well as good performers. The interviewees have also added that, resistance to change was the main problem. According to data collected from secondary sources (agreement and appraisal formats), there is a tendency of giving 1 and 4 (i.e. exceptional and below expectation marks) only for non financial targets. This is because of that the software has developed to accept only 1 or 4 grades as an input. Though, the bank is using four rating scale (4=exceptional, 3=above expectation, 2=meets expectation and 1=below expectation), it is not functional for non financial targets. According to Boipono, Tsomele & Mogadime (2014) a study made on implementation of performance management system (PMS) in Schools states that, PMS is faced different implementation challenges even though it has numerous advantages.

Perception of employees towards performance management system of the bank

This study has also tried to assess the employees' perception towards the performance management system in the bank. The sampled participants responded that they are clear with their roles and responsibilities and Employee Performance Management System is also clearly defined in the organization. They said feedbacks from their supervisor and upper level units are properly communicated to the respective individuals and branches. However, they said there is no similar rating mechanism among branches and employees and the employee performance management system lacks uniformity even though raters are believed to be competent enough. And also they responded performance management processes are not done free of biases and objectively as a result; they are not feeling fairly treated in processes of employee performance management system. Consistent with this study Matlala (2011) found that employees at the organization have a negative perception of the fairness of their organization's performance management system.

Processes of employee performance management system

From the processes of performance management system cycle, performance planning is the first stages where employees will be enable to have a clear knowledge about the system. Based on the sample participants' response, employees of commercial bank of Ethiopia know the strategic objective of the bank very well and they believe that the overall corporate plan is properly cascaded to units and individuals. Employees are also clear with what should they do and their responsibilities and they know also the standards that used to evaluate their work. The second phase of employee performance management system is performance execution, which allow to observing, providing continuous assessment, follow-ups and feedbacks to performers by supervisors/managers. According to the respondents' feedback, their performance is regularly assessed based on the plan/target cascaded for them and they received regular feedback for their performance from their supervisor or manager. In the assessment stage of performance management system which helps to evaluating the extent to which the desired behaviors have been displayed, and whether the desired results have been achieved. Based on the sampled employees' response, the result of their performance evaluation does not matches with their actual performance and employees are not evaluated their work based on recorded evidence only. As a final stage of performance management process, it enables to give motivation to provide positive feedback, recognition, praise and opportunities for growth. According to participants' response, there is a meeting between managers and employees to review their results after they made performance evaluation. However, the sampled employees responded that it is impossible to say that all performance management system processes are trustworthy and right in the bank and performance evaluation is not attached with reward and recognition schemes. This finding is also consistent with Mughal and Akram (2014), that the performance management of the bank lacks motivation and proper reward system.

5.2. Conclusion

This study has tried to assess the benefits found from employee performance management system, challenges/ constraints faced as a result of its implementation, employees' perception towards the system and examine its processes in the bank. To get these findings, the researcher has collected primary data through questionnaire from 341(89%) sampled employees and using interview from purposively selected employees of the bank and was analyzed using SPSS version 16 to get descriptive statistics. Secondary data such as reports, manuals and performance rating formats, have also been used to triangulate the information gathered through primary data collection instruments and techniques.

As a result, based on the above mentioned findings summarized, the researcher has reached on the following conclusions.

This study has reached a conclusion that employee performance management system implemented in commercial bank Ethiopia brings many advantages; it has created role clarity among employees and makes them goal oriented, enables to differentiate good and poor performers. Furthermore, it has created a constructive competition among staffs and enables to make employees motivated. After its implementation, it has contributed to improve both individual and the bank's overall performance at large hence it is good to have.

However, employee performance management system have the above mentioned benefits, it has faced some constraints/problems; 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, a tendency of giving 1 and 4 (i.e. exceptional and below expectation marks) only for non financial targets.

This study has also tried to reach on conclusion that, employees feel they are clear with their roles and responsibilities and the EPMS is also clearly defined in the organization. However, they said there is no similar rating mechanism among branches and individuals and the employee performance management system lacks uniformity even though raters are believed to be competent enough. They are not feeling fairly treated in processes of employee performance management system.

Among employee performance management processes, performance planning has been implemented relatively in a good manner. According to the results found, employees are well aware of the system and they have good knowledge about overall strategy of the bank, goals and targets cascaded to them. However, in the performance execution stage, even though their performance is regularly assessed based on the plan/target cascaded for them and received regular feedback for their performance they are not provided sufficient resources to execute their jobs. In the assessment stage, the study found that the result of their performance evaluation does not matches with their actual performance and employees are not evaluated their work based on recorded evidence only. Regarding performance review, there is a meeting between managers and employees to review their results after they made performance evaluation. However, performance evaluation is not attached with reward and recognition schemes. Therefore, it is impossible to say that all performance management system processes are trustworthy and right in the bank.

5.3. Recommendations

In considering the major findings of the study and the conclusions drawn, efforts were made to forward possible recommendations by the researcher for the attainment of a better result out of the employee performance management system in CBE.

- The commercial bank of Ethiopia has to be making sure that equal jobs are assigned for equal positions so that to give proportional targets for the sake of fairness among employees.
- The bank has to be implement fair job rotation and provision of equal resources for all employees and units in order to creating similar rating mechanism among branches and employees to the system will have uniformity.
- The bank has to be maintaining proper documentation and records as an evidence for evaluation purpose and to respond questions or claims raised from employees.

- The bank has to be creating a clear mechanism to address the issue of underperformance so that the bank enabled to take actions on those performing less and to give credit for those performing above average. Branches/processes and individuals with unacceptably poor performance because of their own negligence must be held accountable.
- In order to avoid the tendency of giving 1 and 4 score for financial targets, the bank have to amend performance management system to make the process more flexible and enable to give 2 and 3 scores for employees fall in the middle of below expectation and exceptional performers.
- Performance assessment should be standard across assessors/raters and branches/process offices through training of supervisors on assessment and quality assurance should be scaled up.
- Performance result should attach with reward and recognition system to increase employees' motivation and to prevailing performance accountability in the bank.
- Finally, though some elements of personal biases are inevitable, the bank should work hard to eliminate factors that lead supervisors to be biased while rating employee's performance and as much as possible and bank should make the evaluation criteria to be very objective.

In general, it is advisable for bank to sustain all its current strengths, and improve its limitations mentioned above to manage its resources within a strategic framework and achieve better performance so that the bank can realize its vision to become a world class commercial bank by the year 2025.

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Appendix- 1: Questionnaire and Interview

Addis Ababa University

College of Business and Economics

School of Commerce

Department of Business Administration and Information System

Researcher/student Name: Mulu Bishaw

General Guideline:

This questionnaire is prepared to collect information from randomly selected respondents. The researcher is currently undertaking a Master thesis titled **"An Assessment of Prospects and Challenges of Employee Performance Management System: A case of Commercial Bank of Ethiopia (Addis Ababa area)"** as part of requirement for fulfilling Master of Art Degree in Human Resource Management at Addis Ababa University.

Please note that all your response will be kept confidential and do not write your name on the questionnaire. Put '√' sign on the box provided based on your level of agreement for each statement for close-ended questions and write your response in brief on the space provided for open-ended questions.

Thank you for participating in this questionnaire!

I. Background Information

1. Gender

   Male ☐ Female ☐

2. Educational Qualification

   Diploma ☐ sters ☐

   Degree ☐ her (please specify) ………..

3. Years of experience

   Less than 1 year ☐ years-10 years ☐

   1year- 5 years ☐ ore than 10 years ☐

4. In which district office / division of the bank you are currently working? ______________
5. What is your current position in the bank? ________________

II. Main research questionnaire

Note: 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree

	Benefits of Employee performance management system in CBE	1	2	3	4	5
6	It has created role clarity among the employees in our branch/office.					
7	There is better differentiation between good and poor performers					
8	Personnel actions are more fair and appropriate.					
9	Employees become more competent.					
10	It contributed to improve individual and the bank's performance at large.					
11	It serves as a two way communication about the roles and expectations.					
12	It helps to motivate employees and encourage development					
13	It is important for employee success and the bank, thus it is good to have.					
	Challenges that hinder Employee Performance Management System Implementation in the Bank.	1	2	3	4	5
14	There is lack of alignment between organizational and individual goals.					
15	There is a tendency of giving unbalanced targets for similar positions.					
16	There is no fair job rotation among employees in our branch/office.					
17	The bank doesn't provide employees sufficient resources to execute the job.					
18	Performance assessment is not based on written evidences.					
19	There is no clear mechanism to address underperformance.					
	Perceptions of Employees towards Performance Management System	1	2	3	4	5
20	I am clear with my roles and responsibilities.					
21	There is similar rating mechanism among branches and employees.					
22	The feedbacks are properly communicated to our office and me.					
23	Performance management processes are done free of bias & objectively					
24	Performance raters are competent enough to undertake their assignment.					
25	I feel fairly treated in every process of performance management system.					

26	In my opinion, Employee Performance Management System is clearly defined in the organization.					
	Processes of Employee Performance Management System in the Bank	1	2	3	4	5
27	I know the strategic objective of the bank very well.					
28	The overall corporate plan is properly cascaded to units and individuals.					
29	I am clear about what is expected from me and my job responsibilities.					
30	I know the standards that used to evaluate my work.					
31	My performance is regularly assessed based on the plan cascaded to me.					
32	I have received feedback regularly for my performance from my manager.					
33	The result of the evaluation matches with my actual performance.					
34	There is a meeting with my supervisor after evaluation is made to review results.					
35	My supervisor evaluates my work based on recorded evidence only.					
36	Performance evaluation is attached with reward and recognition schemes.					
37	All performance management processes in CBE is trustworthy and right.					

38. What are the major benefits gained for the bank and yourself from employee performance management system implementation?

____

______________________________.

39. What are the major challenges you faced as a result of Employee Performance Management System implementation in the bank?

____

____ .

Thank you!!!

Interview Questions

Addis Ababa University

College of Business and Economics

School of Commerce

Department of Business Administration and Information System

Researcher/Student Name: Mulu Bishaw

LEADING QUESTIONS FOR SELECTED INTERVIEWEES

The researcher is currently conducting research thesis for the purpose of fulfilling requirements of Master of Art Degree in Human Resource Management at Addis Ababa University. The following questions will ask about ***Employee Performance Management System implemented in commercial bank of Ethiopia*** and you are selected because of your role and closeness to the subject**.** Your responses will be kept confidential and used for academic purpose only.

Thank you for participating in this interview!

1. Do you think branches/offices and individual employees are clear with the overall strategy of the bank and their performance targets?
2. Is there any manual or rule being used to standardize the employee performance management system in the bank?
3. To what extent the performance review, appraisal, measurement and evaluations are conducted based on pre-set and agreed upon performance?
4. Do you think performance is properly attached to recognition & reward programs? If so, what measures are being taken against offices and individuals whose performance falls below the performance targets?
5. What achievements have been observed since the introduction of employee performance management system?
6. What challenges have been you faced in the employee performance management system?

The end!

Appendix -2 : Performance agreement and Appraisal format

COMMERCIAL BANK OF ETHIOPIA

QUARTERLY BUSINESS TARGETS SETTING & EVALUATION FORM

SECTION I. GENERAL INFORMATION

Employee Name:	
Agreement Period:	**Agreement Date:**
Job Title:	**Job Grade:**
Place of Assignment Process/District :	**Subprocess/Branch /Team:**
Manager:	**Manager's Position:**
Financial performance targets quarter appraisal score	

SECTION II(A): GUIDELINES: Specify the job holders rating on Service Delivery and Internal Business Process Performance Targets for the CURRENT quarter below. The employee should be rated [4] if the target has been achieved and [1] if the target has not been achieved.	

No	Goal	Target	Appraisal score
1			
2			
Total Quarterly service delivery & internal process targets score: Sum of Appraisal Ratings/ Number of Targets. The final score should be rounded up (0.5 and above) or down (below 0.5) to the next whole number.			

SECTION II(B): SELECT FINAL QUARTERLY SERVICE DELIVERY AND INTERNAL PROCESS APPRAISAL RATING

GUIDELINES:Select the job holder's final appraisal rating: The basis for your selection is the total score computed in section II(C):

Exceptional (4)	Above Expectation (3)	Meets Expectation (2)	Below Expectation (1)
Exceptional in the quarter if the employee's total appraisal score is [4] **AND ALL** targets have been achieved	Above Expectation in the quarter if the employee's total appraisal score is [3] **AND** not more than ONE target is rated below expectation	Meets expectation in the quarter if the employee's total appraisal score is [2] **And** not more than one target is rated below expectations.	Below expectation in the quarter if the employee's total appraisal score is [1].
Service Delivery and Internal Business Process Performance Targets Quarter Appraisal Score			
Final Quarter rating			

Appraiser's Comment Section: Please comment on Appraisees developmental needs and strengths: Additional paper may be used if required and attached to this appraisal document.

Job Holder's Comment Section: Please comment on appraisal: Additional paper may be used if required and attached to this appraisal document.

In signing this document, I confirm that we have discussed and reviewed the contents of the document together and agree that what is contained here is accurate and agreed to by both parties.

Employee's Signature / Date | **Manager's Signature / Date**

Appendix-3: Reliability tests

Reliability test or pilot test

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	8	53.3
	Excluded[a]	7	46.7
	Total	15	100.0

a. List wise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.836	32

Reliability test for all cases

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	266	78.0
	Excluded[a]	75	22.0
	Total	341	100.0

a. List wise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.82	32

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COMMERCIAL BANK OF ETHIOPIA

INTER DEPARTMENTAL MEMORANDUM

DATE ቀን	:	May 03, 2016
TO ለ	:	To Whom It May Concern
FROM ከ	:	Manager- Learning & Development
SUBJECT ጉዳዩ	:	Request for Cooperation

Addis Ababa University under its letter dated 15/04/2016 has requested our bank to assist and cooperate Ato Mulu Bishaw Mekonnen who is a student of postgraduate in Human Resource Management and currently undertaking a project in titled "Assessment of Prospects and Challenges of Employee Performance Management System :A Case of Commercial Bank of Ethiopia.

This is therefore to request your good office to provide him the required assistance and cooperation without compromising confidentiality.

Regards

Getu Bedilu

/cd

HR Development
Tel: 0114-43-09-05/0114-43-06-01/0114-43-09-56/0114-43-08-48
Fax: 0114-43-08-43